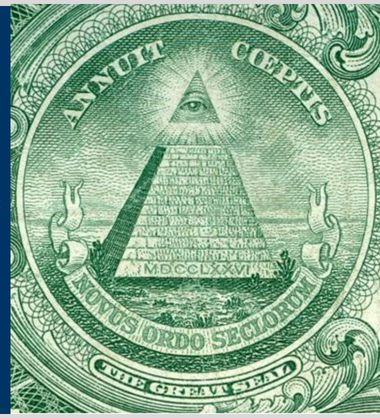
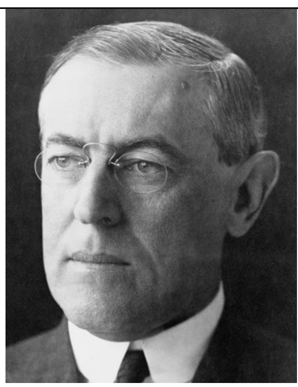
International Bankers: Robber Barons?



By William P. Litynski

Wall Street Bankers: Manhattan Mobsters?

Jamie Dimon (left), chairman of the board of JP Morgan Chase bank, and Lloyd Blankfein, chairman of the board of Goldman Sachs bank, leave the White House after they and 13 other bank executives met with President Barack Obama at the White House in Washington, D.C. on March 27, 2009. Jamie Dimon and Lloyd Blankfein are members of the Council on Foreign Relations, a private political organization in New York City. (Photo by Chip Somodevilla/Getty Images)



Woodrow Wilson

"However it has come about, it is more important still that **the control of credit also has become dangerously centralized**. It is the mere truth to say that the financial resources of the country are not at the command of those who do not submit to the direction and domination of small groups of capitalists who wish to keep the economic development of the country under their own eye and guidance. **The great monopoly in this country is the monopoly of big credits. So long as that exists, our old variety and freedom and individual energy of development are out of the question. A great industrial nation is controlled by its system of credit. Our system of credit is privately concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men who, even if their action be honest and intended for the public interest, are necessarily concentrated upon the great undertakings in which their own money is involved and who necessarily, by very reason of their own limitations, chill and check and destroy genuine economic freedom.** This is the greatest question of all, and to this statesmen must address themselves with an earnest determination to serve the long future and the true liberties of men. This money trust, or, as it should be more properly called, this credit trust, of which Congress has begun an investigation, is no myth; it is no imaginary thing. It is not an ordinary trust like another. It doesn't do business every day. It does business only when there is occasion to do business. You can sometimes do something large when it isn't watching, but when it is watching, you can't do much. **And I have seen men squeezed by it; I have seen men who, as they themselves expressed it, were put out of business by Wall Street, because Wall Street found them inconvenient and didn't want their competition.**" – U.S. President Woodrow Wilson, *The New Freedom* (1913), Chapter 8 (Monopoly, or Opportunity?)

The National Debt Clock on display in New York City on February 1, 2010. According to the National Debt Clock, the United States of America is over $12 trillion in debt. President Barack Obama sent Congress a $3.83 trillion budget on February 1, 2010 that would pour more money into the fight against high unemployment, boost taxes on the wealthy, and freeze spending for a wide swath of government programs. The deficit for this year would surge to a record-breaking $1.56 trillion. (AP Photo)

First Deputy Managing Director of the International Monetary Fund Stanley Fischer (left), Federal Reserve Chairman Alan Greenspan (center), and International Monetary Fund Managing Director Michel Camdessus have a private conversation at a meeting on September 26, 1999. Alan Greenspan and Stanley Fischer are members of the Council on Foreign Relations. Stanley Fischer is currently the Governor of the Bank of Israel.

American flag (left) and Communist China's flag (right) are displayed at the entrance of Goldman Sachs headquarters at 85 Broad Street in New York City.

Partners of Goldman, Sachs & Co. in 1994, from left to right: Henry Paulson, Stephen Friedman, and Jon Corzine; all three men would serve as Chairman of Goldman Sachs. (Photo: Saba/Corbis)

President of Russia Dmitry Medvedev (left) shakes hands with Lloyd Blankfein, the chairman of the board of Goldman Sachs bank in New York City, during a meeting in the Gorki residence outside Moscow, Russia on March 15, 2011. Lloyd Blankfein is a member of the Council on Foreign Relations, a private organization in New York City.
(AP Photo/RIA Novosti, Vladimir Rodionov, Presidential Press Service)

Christ Cleansing the Temple, by Carl Heinrich Bloch, used by permission of the National Historic Museum at Frederiksborg in Hillerød, Denmark

"And Jesus went into the temple of God, and cast out all them that sold and bought in the temple, and overthrew the tables of the moneychangers, and the seats of them that sold doves, And said unto them, It is written, My house shall be called the house of prayer; but ye have made it a den of thieves." – Matthew 21:12-13, KJV

Brown Brothers Harriman & Co. international banking headquarters on 140 Broadway in New York City (Photo: Flickr)

Citigroup (left) and JP Morgan Chase (right) international banking headquarters in New York City

"Neither a borrower nor a lender be;
For loan oft loses both itself and friend,
And borrowing dulls the edge of husbandry.
This above all: to thine ownself be true,
And it must follow, as the night the day,
Thou canst not then be false to any man."
– William Shakespeare, *Hamlet*, Act I

The Bank for International Settlements (BIS) headquarters in Basel, Switzerland. The BIS was established on May 17, 1930. Nazi war criminal Walther Funk served on the board of directors of Bank for International Settlements before World War II. (Photo: Flickr)

BANK FOR INTERNATIONAL SETTLEMENTS

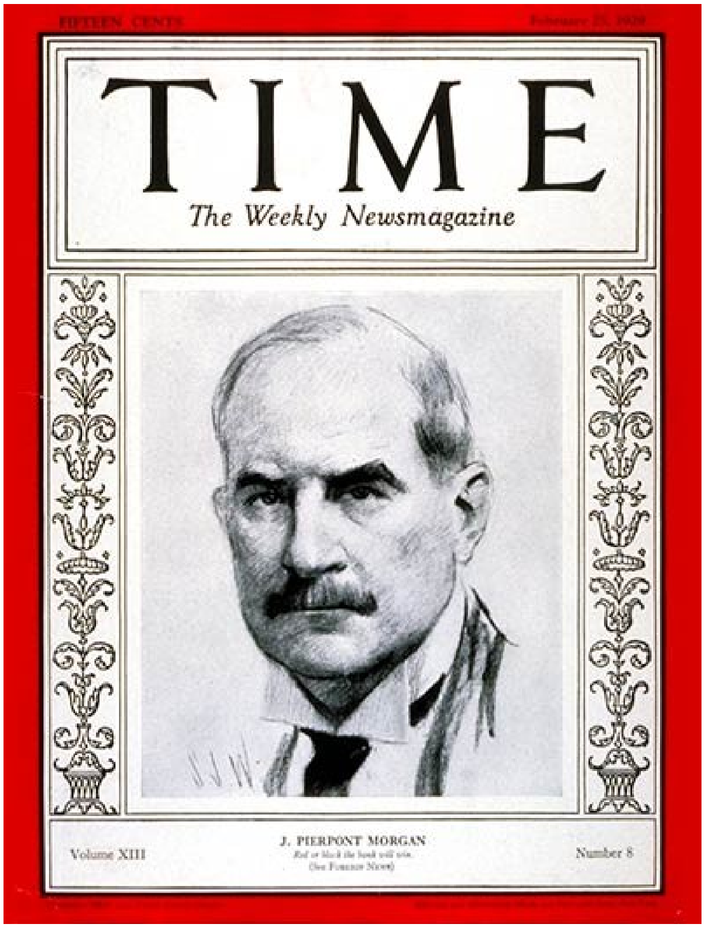
The World Bank in Washington D.C.


International Monetary Fund in Washington D.C.

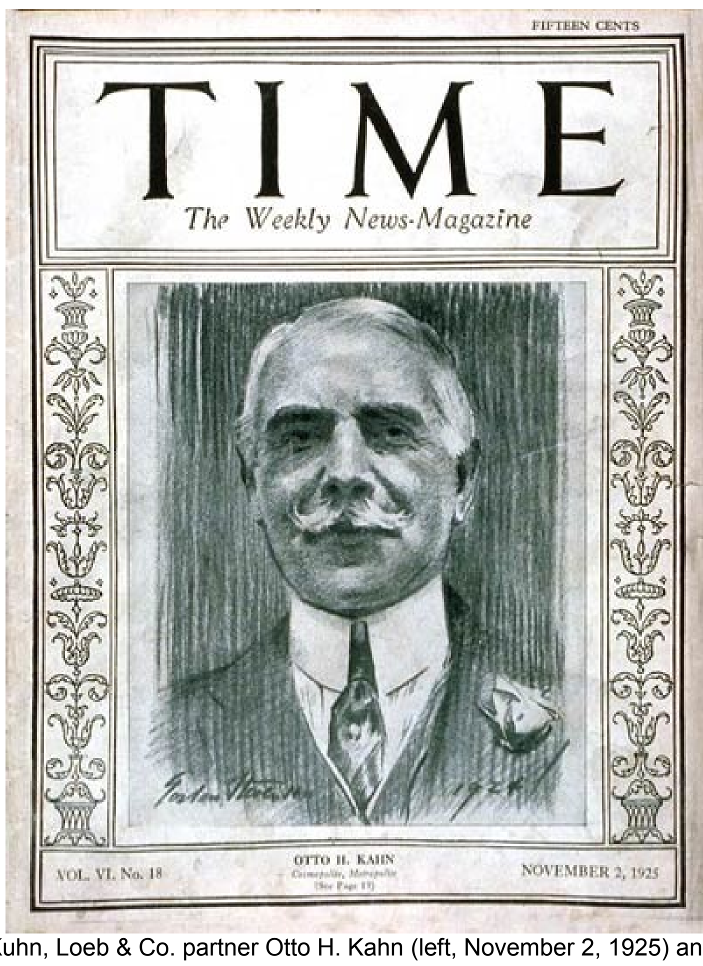
European Central Bank in Frankfurt, Germany

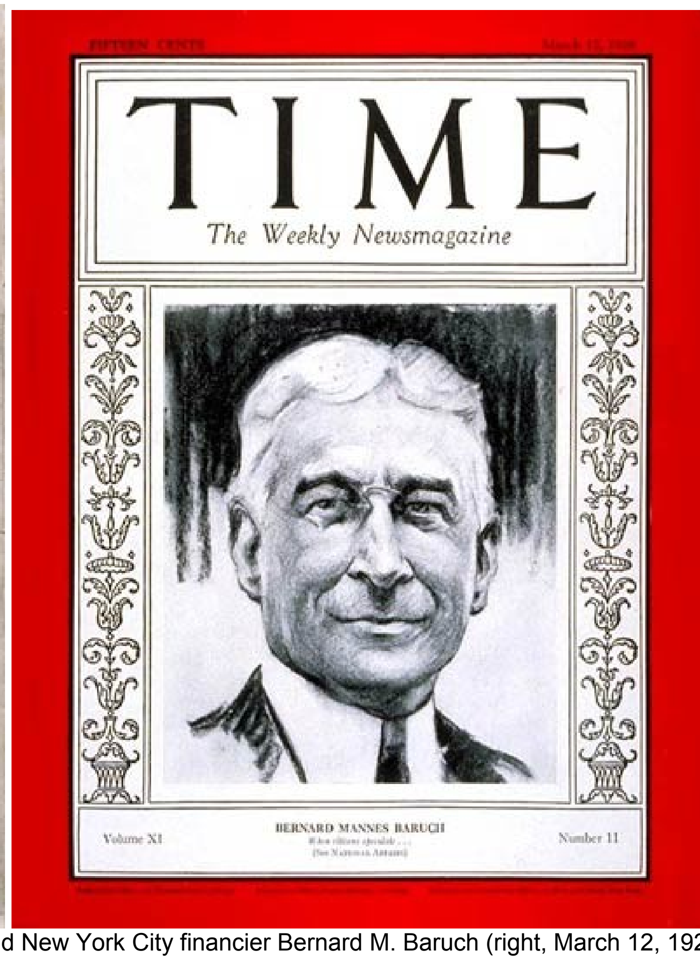
Bank of England in The City of London

The Federal Reserve headquarters in Washington, D.C., United States of America

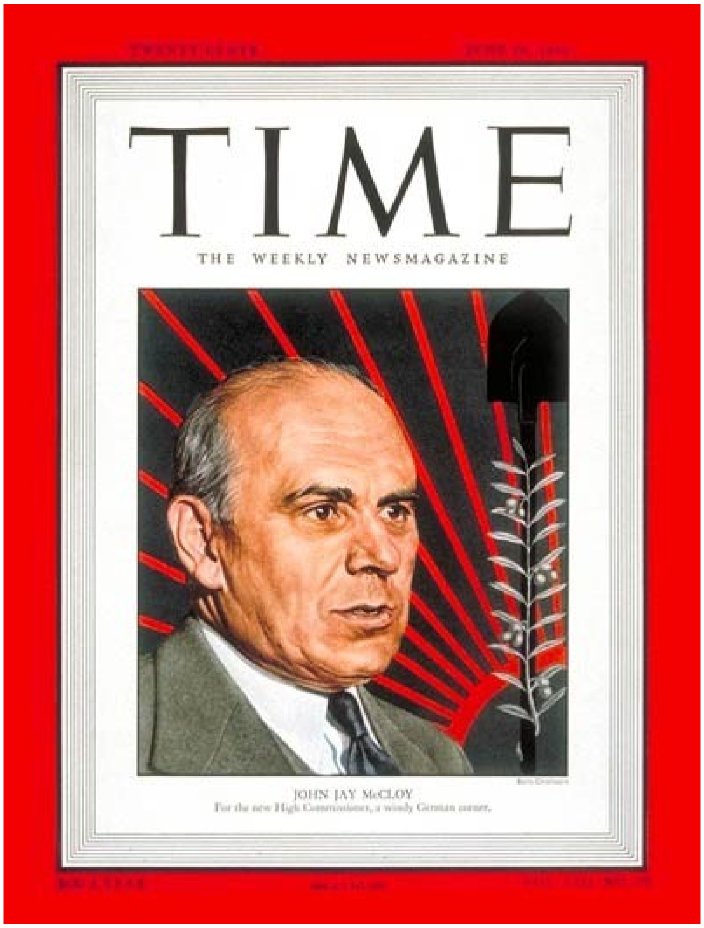


J.P. Morgan & Co. partners John Pierpont Morgan Jr. (left, February 25, 1929) and Thomas W. Lamont (right, November 11, 1929)

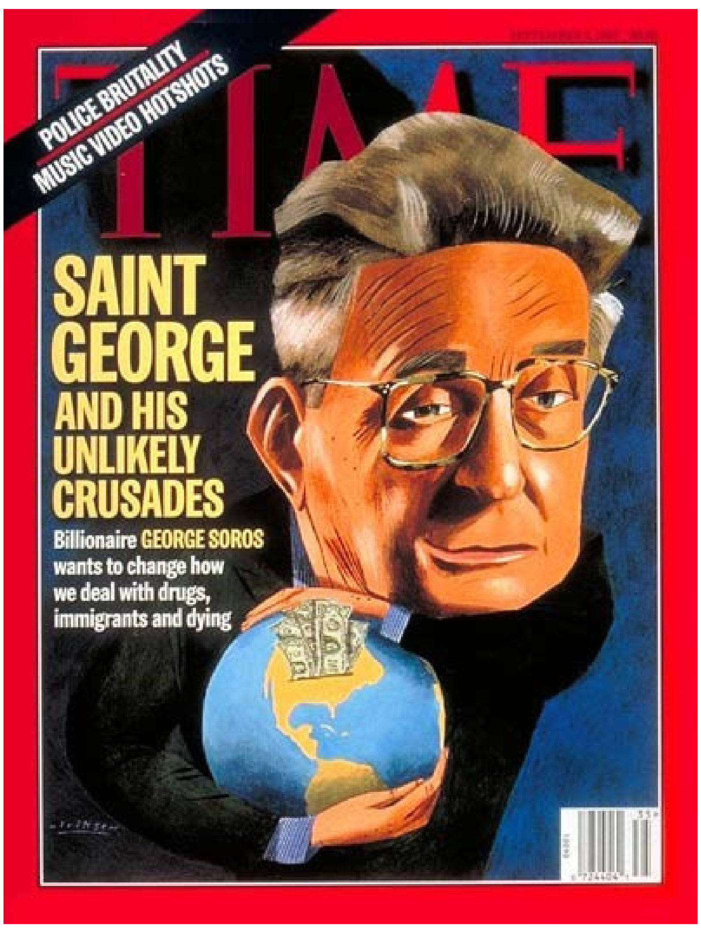




Kuhn, Loeb & Co. partner Otto H. Kahn (left, November 2, 1925) and New York City financier Bernard M. Baruch (right, March 12, 1928)



Chase Manhattan Bank chiefs John J. McCloy (left, June 20, 1949) and David Rockefeller (right, September 7, 1962)



International banker George Soros (left, September 1, 1997) and Secretary of the Treasury Robert E. Rubin (former partner of Goldman, Sachs & Co. who appears alongside Federal Reserve Chairman Alan Greenspan and Deputy Secretary of the Treasury Lawrence Summers (right, February 15, 1999)

Bank of England: Central Bank of the British Empire

The Bank of England, officially known as “The Governor and Company of the Bank of England”, was established in 1694 when members of the English Parliament passed the Tonnage Act of 1694. (Photo: Flickr)

King William III of England (left) and his wife Queen Mary II of England (right) ruled England, Scotland, and Ireland beginning in 1689, after King James II of England was deposed in the “Glorious Revolution” in 1688. King William III of England was formerly Prince William of Orange and a monarch from the Netherlands.

Dam Square in Amsterdam, Holland [Netherlands] in the late 1600s. Dutch moneychangers in Amsterdam provided loans to English and Scottish moneychangers prior to the establishment of the Bank of England in 1694.

The moneychangers of Venice, Europe's ancient bankers

William Paterson, founder of the Bank of England

Bank Note produced by the Bank of England

"The Act of Parliament by which the Bank was established is called "An Act for granting to their Majesties several Rates and Duties upon Tunnages of Ships and Vessels, and upon Beer, Ale, and other Liquors; for securing certain Recompenses and Advantages, in the said Act mentioned, to such persons as shall voluntarily advance the Sum of Fifteen hundred thousand Pounds towards carrying on the war against France." After various articles referring to the imposition of taxes, the Act authorised the raising of £1,200,000 by subscription, the subscribers forming a corporation to be called, "The Governor and Company of the Bank of England." No person might subscribe more than £10,000 before the 1st of July following, and even after this date no individual subscription might exceed £20,000. The corporation was to lend the whole of its capital to the Government, and in return it was to be paid interest at the rate of 8 per cent., and £4,000 for expenses of management, in all £100,000 per annum. The corporation was to have the privileges of a bank for twelve years, then the Government reserved the right of annulling the charter after giving one year's notice to the company. The corporation were not authorised to borrow or owe more than their capital; if they did so, the members became personally liable in proportion to the amount of their stock. The corporation were forbidden to trade in any merchandise whatever, but "they were allowed to deal in bills of exchange, gold or silver bullion, and to sell any wares or merchandise upon which they had advanced money, and which had not been redeemed within three months after the time agreed upon." The subscription list was opened at the Mercers' Chapel, then the headquarters of the corporation, on Thursday, June 21, 1694…After this great success the Charter of Incorporation was granted on July 27, 1694." – *History of the Bank of England: 1640 to 1903* by Dr. A. Andreades, p. 72-74

Excerpts from *Taxation in Colonial America* by Alvin Rabushka, Chapter 10 (p. 297-299)

"The mechanism of credit established through the Bank of England merits explanation. In May 1694, the Ways and Means Act granted a charter to the Bank of England. The bank was to lend the government £1,200,000 at 8 percent interest, a moderate rate given the government's dire financial straits. In return, the bank was to be given the privilege of registering as a joint-stock company. This was an enormous concession because all other banks were required to operate as individuals or partnerships on the basis of unlimited liability to their individual proprietors. The proprietors of the Bank of England, in contrast, did not face personal liability on their private funds. Their risk was limited to the capital invested in the bank . The bank enjoyed this advantage for more than a century. The newly chartered bank was empowered to do ordinary banking business of receiving deposits and creating a credit currency.

The bank was both a bank of issue and a bank of deposit. The original plan put before a parliamentary committee in 1693 contained an explicit reference to the right of note issue, but this was a point of contention. As a result, the act of 1694 contains no reference to bank notes and only one to bank bills. It envisaged that the bank would accept deposits and borrow on bills, but that borrowing should never exceed the sum of £1,200,000 at any one time, the amount the bank would raise and lend to the government, unless it be by an act of Parliament upon funds agreed in Parliament. In this restriction, the act appears to limit the bill liabilities of the bank to £1,200,000. It was not clear if the bank could legally owe more than £1,200,000 upon its notes. Other provisions forbade the purchase of crown lands or lending to the Crown without parliamentary consent. A perpetual fund of interest, 8 percent on the £1,200,000, payable to the subscribers from the ships' tonnage and liquor duties levied under the act, was set at £100,000, tax free. No individual was permitted to subscribe more than £20,000, and a quarter of all subscriptions was to be paid in prompt cash. Individuals were to be personally liable for any debts of the bank exceeding its capital of £1,200,000.

The bank's capital of £1,200,000 was subscribed within twelve days. The subscribers became a corporation called the Governor and Company of the Bank of England. Only 60 percent of the scubscription, £720,000, was called up immeiately by the governors of the bank. The bank made its loan to the government in installments. On August 1, 1694, it gave the government £720,000 in cash, in a combination of drafts on other banks and £480,000 in notes under the seal of the bank, which became known as "sealed bank bills." In return, the bank took the government's promise to repay in the form of interest-bearing tallies (bonds, or government stock). From August 22, treasury orders for the spending of the money began. By year's end, the full sum had been advanced to the government. However, as of January 1, 1695, the remaining £480,000 of shareholders' subscriptions had not beeen called in and remained available for future banking activities. Moreover, even some of the £720,000 existed in the form of subscribers bonds that the bank reckoned, optimistically, as cash.

On receipt of the loan, the government used the bank's notes to purchase supplies for the army…Bank of England sealed bank bills assured the king of purchasing power. The bank, in turn, was guaranteed interest by a specific act of Parliament. For £100,000 in earmarked tax revenue, the government of England could spend £1,200,000. For their part, the bank's shareholders received a dividend of 6 percent in the first half year, a double-digit return on an annualized basis.

The bank raised additional capital from its acceptance of deposits and the circulation of sealed bills in addition to those it gave the government as part of the original £1,200,000. More important to the profitabilty of the bank and its ability to create additional credit for the government and private commerce was if its total borrowing was limited to £1,200,000 as stated in the act of 1694. The governor of the bank tried but failed in 1695 to negotiate a clause in the act that would permit an issue of sealed bills in excess of £1,200,000. A court ruling declared that new bills could be issued only as old bills were retired. Howevver, the court ruled that the limit applied only to sealed bills, not to the less formal "running cash notes" of the bank, which lacked the corporate seal and were merely signed by the cashier. Excluding running cash notes from the limit amounted to a license to print money, literally cash, subject to the prudential judgement of the bank's managers. Forms were printed with blanks for names, amounts, and the cashier's signature. These cash notes, nicknamed "Speed's notes" from the name of the cashier, were issued, circulated freely, and were accepted at full face value. They were deemed as secure as the sealed bills backed by the bank's share cpatial and government tallies or loans. The combined issue of sealed bills and cash notes quickly exceeded the authorized subscribed capital and borrowing on bills. Credit could be created to the extent that the public accepted bank paper as good currency."

Excerpts from *Taxation in Colonial America* by Alvin Rabushka, Chapter 10 (p. 286-287):

In January 1672 the Crown faced bankruptcy, which prompted a stop of the Exchequer, the freezing of all repayment for a year from January 1, 1672, on Orders issued before December 18, 1671. Orders amounting to £1,100,000 rested on the ordinary revenue. Repayment of Orders would have reduced the Crown's disposable income in 1672 to £400,000, an intolerably low level. The stop temporarily relieved repayment of £1,200,000. The memory of the stop, which ruined several goldsmiths and other small lenders, was not quickly forgotten. Its damage constrained government credit operations during the remainder of Charles's reign and the brief rule of his brother, James.

William's expenditures in Ireland and far greater military outlays in Europe as he involved England in what became more than a century-long struggle against France on the continent and in America required funds above and beyond grants of Parliament. This circumstance provided an opportunity for a group of men who proposed the creation of a private, joint-stock bank that would have some of the powers of a national bank, especially the issue of bank notes. After discussions between the founders of the proposed bank, the Privy Council in the presence of Queen Mary, and a committee of Parliament, an agreement was eventually reached in the Ways and Means Act of 1694 that authorized the creation of the Bank of England.

The previous system of granting credit directly to the monarch was replaced with loans made to the state, with debt service guaranteed by specific taxes on acts of Parliament. Parliament, not the king's tax collectors, guaranteed public debt. It passed the Tonnage Act of 1694 to guarantee annual interest of £100,000 on a loan of £1,200,000 to the government made by the new Bank of England. Parliament's approval of earmarked taxes to guarantee payment of interest on loans to the state created a bond market in which individuals could securely invest in government stock, the English term for long-term government bonds. The Bank of England in conjunction with the Tonnage Act marked the beginning of an official national debt, which would grow by leaps and bounds in the eighteenth century. Crown acquiescence in the supremacy of Parliament with Parliament's statutory guarantee of interest and capital redemption transformed the previous insecurity of lending to the government through personal loans, tallies, and Orders with the generally safe investment of purchasing government bonds.

The credit revolution of 1694 allowed the government of England to live beyond its means – to spend more than it collected in taxes each year. The creation of credit at low rates of interest enabled the government to engage in lengthy wars costing millions of pounds without having to subject English taxpayers at once to their full cost. As debt and debt service piled up, the consequences of steadily rising taxes would lead England into war with its American colonies later in the eighteenth century.

Excerpts from *History of the Bank of England* by Dr. A. Andreades (p. 65-67)

The plan now was to raise £1,200,000 to be lent to the Government in return for a yearly interest of £100,000. The subscribers to the loan were to form a corporation with the right to issue notes up to the value of its total capital. The corporation was to be called, "The Governor and Company of the Bank of England."

Paterson wrote a pamphlet demonstrating the economic principles on which the future Bank of England was to rest.

He notes the old mistake "that the stamp or denomination gives or adds to the value of money." The fallacy contained in this was pointed out by those who had suggested the foundation of the Bank some years earlier. Its promoters had seen that the institution ought to be based on the following principles:

"1. That all money or credit not having an intrinsic value, to answer the contents or denomination thereof, is false and counterfeit, and the loss must fall one where or other.

"2. That the species of gold and silver being accepted, and chosen by the commercial world for the standard, or measure, of other effects, everything else is only accounted valuable as compared with these.

"3. Wherefore all credit not founded on the universal species of gold and silver is impracticable, and can never subsist neither safely nor long, *at least till some other species of credit be found out and chosen by the trading part of mankind over and above or in lieu thereof.*"

After describing the strong position of the Bank and its prospects of success, and stating that no dividend would be paid without several months' notice, in order to give the shareholders the choice of selling or retaining their shares, Paterson remarks that "The politicians …distinguish between the interest of *land and trade,* as they have lately done between that of a king and his people," but "if the proprietors of the Bank can circulate their own *fundation* [sic] of twelve hundred thousand pounds without having more than two or three hundred thousand pounds lying dead at one time with another, this Bank will be in effect as nine hundred thousand pounds or a million of fresh money brought into the nation."

Excerpts from *History of the Bank of England* by Dr. A. Andreades (p. 28-32)

There had been an interval of seven years between the two publications, and during this time an event had occurred which, to judge by other countries, must have exercised considerable influence on the development of banks in England. I refer to the return of the Jews.

The return of the Jews to England. Its influence on banking. – The effect of the influx of Spanish Jews on the development of Dutch commerce is well known. The influence of the Jews at Venice was no less marked. It was two Jews who first (in 1400) obtained the authority of the Senate to found a bank in the strict sense of the word. Their success was so great that many Venetian nobles established rival institutions. Abuses followed which, combined with monetary difficulties, determined the Government to establish the Bank of Venice.

The same influence must have made itself felt in England. But at what date? In other words, when and for what reason were the Jews authorised to return to England? We will proceed to consider this question; it is not altogether easy to answer it.

It is certain that as soon as Charles I. was dead, the Jews attempted to return to England. Public opinion was not unfavourable to them, partly on account of the biblical spirit which then prevailed, and partly because of the services rendered by them in Holland, a country which the English of this period constantly set before them as a model. Thus Gardiner mentions the publication of a pamphlet about this time, in which in order to prove the importance of Dunkirk, it is stated that the Jews were prepared to give £60,000 to £80,000 in return for the toleration of a synagogue there, and that such permission would attract all the Portuguese merchants from Amsterdam, from which a still greater benefit would result. The Amsterdam merchants had not expected such demonstrations of sympathy. They took the initiative, and two of them presented a petition in 1649 to Fairfax and the Council, for the revocation of the banishment of the Jews.

Another petition is referred to by some historians. Certain Jews had asked for the repeal of the laws passed against them, and on condition that the Bodleian Library was made over to them, together with permission to convert St. Paul's Cathedral into a synagogue, they undertook to pay "six millions of livres" according to some, £500,000 according to others. It is stated that negotiations were broken off because the parties could not agree as to the price, the English Government asking eight millions or £800,000. It is unfortunate as far as concerns the authenticity of this tale, that the references given by the historians' are inadequate or erroneous, hence we only refer to it as a curiosity. These negotiations came to nothing. Mr. Wolf proves however, that notwithstanding this rebuff a number of Jews established themselves secretly in London in the time of the Commonwealth.

The situation improved still more during the Protectorate. Cromwell's ideas were in advance of his times, and as Mr. F. Harrison remarks, "Noble were the efforts of the Protector to impress his own spirit of toleration on the intolerance of his age; … He effectively protected the Quakers; he admitted the Jews, after an expulsion of three centuries; and he satisfied Mazarin that he had given to Catholics all the protection that he dared." Cromwell was particularly well-disposed towards the Jews, with whom he had, according to M. Guizot, fairly frequent dealings. They seem to have done him numerous services. The Jews for their part were not unaware of the Protector's feeling towards them, and did their best to profit by it.

Rabbi Manasseh Ben Israel took the initiative in the matter. This Rabbi was a remarkable character. He was born in Portugal about 1604, but while still a child he emigrated with his family to Holland. There he became a brilliant student, wrote books, and even established the first Jewish printing press at Amsterdam. But his chief efforts were devoted to improving the lot of his co-religionists, and to securing their admission into the different European countries. In particular he tried by various means, such as petitions to the Protector, and even the dedication of his book, *Spes Israelis*, to the British Parliament, to obtain permission for the Jews to return to England.

A commission, presided over by Cromwell, was appointed to consider the question. It was composed of lawyers, priests and merchants. The debates were long-winded and threatened to be interminable. Cromwell consequently dissolved the assembly, remarking that the matter, complicated enough to start with, now appeared more intricate than ever, and that, "although he wished no more reasoning, he yet begged an interest in their prayers."

The conference was thus without result and Manasseh's hopes were apparently vain. As a matter of fact however, the Jews were tacitly allowed to live in England. Manasseh received a pension of £100 to console him for his disappointment. And three years later, on February 15th 1658, at a reception at Whitehall, Cromwell seems to have given an assurance of his protection to Carvajal and his coreligionists.

Whatever may be the truth about this fatter point, it is probable that Cromwell took no legislative action with regard to the Jews, but it is certain that he tolerated their return, and that at the end of the Protectorate a number of them were living in England. They must have taken an active part in trade, for shortly afterwards a petition was signed by numerous merchants complaining that the Jews were not subject to the alien law, and that in consequence the Treasury suffered a yearly loss of £10,000.

Bank of the United States: A Peculiar Institution?

The Second Bank of the United States in Philadelphia, Pennsylvania operated from 1816 to 1836. The Second Bank of the United States was officially closed in 1837, after President Andrew Jackson vetoed the renewal of the Bank on July 10, 1832. Nicholas Biddle (right) (A.B. Princeton 1801) served as the President of the Second Bank of the United States from 1823 to 1836.

Richard Lawrence, an unemployed house-painter from England, attempts to assassinate President Andrew Jackson at the entrance of the U.S. Capitol in Washington, D.C. on January 30, 1835. Congress passed the Second Coinage Act on June 28, 1834. The Panic of 1837 occurred on May 10, 1837 just after the Second Bank of the United States was dissolved in 1836; Andrew Jackson is the only president ever to pay off America's national debt. America's national debt today has exceeded $12 trillion. (Was Richard Lawrence a "lone gunman"? Was Richard Lawrence a patsy?)

"My dear sir, I have to thank you for four letters, all very interesting & very welcome. The last only requires any answer & that I will give very explicitly. You may rely upon it that the Bank has taken its final course and that it will be neither frightened nor cajoled from its duty by any small drivelling about relief to the country. All that you have heard on that subject from New York is wholly without foundation. The relief, to be useful or permanent, must come from Congress & from Congress alone. If that body will do its duty, relief will come if not, the Bank feels no vocation to redress the wrongs inflicted by these miserable people. Rely upon that. **This worthy President thinks that because he has scalped Indians and imprisoned Judges, he is to have his way with the Bank. He is mistaken** and he may as well send at once and engage lodgings in Arabia . . ."
– Nicholas Biddle (President of the Second Bank of the United States), in a letter to Joseph Hopkinson (Judge of the United States District Court for the Eastern District of Pennsylvania) on February 21, 1834

"The Bank…is trying to kill me, but I will kill it." – U.S. President Andrew Jackson, 1832, in a conversation with Martin Van Buren

"During the Monroe years, American workers got a harsh lesson in the dangers of capitalism when the economy crashed. The Panic of 1819 initiated the nation's first major depression. The crash resulted from a confluence of national and international events. In the heady atmosphere after the war, both imports and exports surged. European demand for American goods, especially agricultural staples like cotton, tobacco, and flour, increased. To feed the overheated economy, state banks proliferated, and credit was easy. The federal government offered for sale vast tracts of western lands, fueling real estate speculation funded by bank notes. Reserves of specie, or hard money, plummeted, especially in the West and the South. As early as 1814, Thomas Jefferson warned, "We are to be ruined by paper, as we were formerly by the old Continental paper." Two years later, he asserted that "we are under a bank bubble" that would soon burst. The Second Bank of the United States was supposed to steady the economy, but gross mismanagement in its early phase sapped its effectiveness. The bank's first president, William Jones, instead of taking steps to regulate the nation's currency, doled out huge loans that fed speculation and inflation. He also kept lax watch over state banks, where fraud and embezzlement created chaos. A congressional committee's proposal to terminate the nearly insolvent BUS had little backing because forty members of Congress held stock in the bank. The bank's problems arose at precisely the wrong moment, when the economy needed a firm rudder during its postwar expansion. Jones resigned and was replaced by the South Carolina congressman Langdon Cheves and later by the Philadelphia lawyer Nicholas Biddle. Although the bank sharply contracted loans in 1818, the damage had been done. The BUS, far from helping the economy, was among the destabilizing forces that led to the depression of 1819. At the same time, swelling crop yields in Europe reduced the demand for American farm products, whose prices plunged. An economic contraction in Europe led banks there to reduce credit. The crisis abroad, coupled with the contraction at home, forced American banks to call in their loans as well. By early 1819, credit, once so easy, was unavailable to many Americans. With specie reserves depleted, many American banks failed, and other businesses followed. Sales of public lands plummeted. Unemployment soared, and in some regions food and other basic necessities were difficult to come by. Especially hard hit were cities outside of New England like Philadelphia, Pittsburgh, and Cincinnati. Farmers suffered too, though many survived by resuming a subsistence lifestyle. With insolvency rife, prisons were overcrowded with debtors. The depression lingered for two years. It was the first of several severe downturns that would tarnish America's otherwise vigorous economy throughout the nineteenth century. The Panic of 1819 fostered mistrust of banks, bankers, and paper money." – *Waking Giant: America in the Age of Jackson* by David S. Reynolds, p. 29-30

"By January 1834 the Treasury had withdrawn $9.36 million from the BUS, while Biddle continued to contract the bank's loans. Only when real signs of recession appeared did Biddle relent and restore credit to previous levels. The Treasury continued the dispersal of federal monies into the pet banks. The deposits reached $22 million by the end of 1834, peaking at over $45 million in November 1836, by which time there were over ninety pet [State] banks throughout the nation. At first widely lambasted, the pet-bank scheme won increasing favor. In April 1834 the House gave Jackson a vote of confidence by passing a four-point resolution approving his removal of funds from the BUS and transferring them to the deposit banks…This system got an unexpected boost when Biddle committed another blunder. Although he had made up for his first mistake by relaxing credit, Biddle churlishly refused to cooperate with the House when it tried to investigate the records of the BUS. There is no evidence that Biddle had anything illegal to hide. But he gave the impression of a cover-up when congressional representatives arrived in Philadelphia only to find him stubbornly insisting that the bank's books would remain closed to the inspectors. As Biddle and his bank declined, the pet banks prospered along with the American economy." – *Waking Giant: America in the Age of Jackson* by David S. Reynolds, p. 107-108

"Although a bill to recharter the bank was passed by Congress well ahead of time, in July 1832, it was vetoed by President Andrew Jackson, who, ever since learning about the South Sea Bubble, had taken against banks in general and the Bank of the United States in particular. The Senate failed to override the veto. When its charter expired in February 1836, the second Bank of the United States was turned into a state bank, the United States Bank of Pennsylvania. More than likely embittered, [Nicholas] Biddle, who remained its head, seems to have thrown caution to the winds. The bank began speculating in stocks and commodities; it failed in February 1841. Private shareholders lost everything; Biddle was arrested and charged with fraud…the evidence against Biddle was deemed insufficient and he escaped sentence. But the country's experiment with a central bank ended, not to be revived for more than seventy years." – *The Central Banks* by Marjorie Deane and Robert Pringle, p. 50

"The Panic of 1837 initiated the worst economic depression the country had yet known. The downturn resulted from various international and native economic developments. In 1836 the Bank of England, fearing a run on its deposits of specie (silver and gold), sharply contracted credit. British companies curtailed their business with America. Foreign demand for American cotton plummeted, cutting cotton prices nearly in half. South planters suffered, and many northern companies associated with the cotton trade failed. The Specie Circular, which mandated that speculators could purchase public land only with hard money, caused a drain of specie from eastern to western banks. In April 1837, world prices suddenly collapsed, creating a run on banks. On May 10, 1837, all banks in New York suspended specie payments; that is, they refused to redeem paper currency in silver or gold. Banks in New Orleans and other cities soon did the same. The specie suspensions caused panic, which in turn led to widespread bank failures…All told, around 40 percent of America's 850 banks soon were out of business. Most sectors of the economy slumped. Business failure brought unemployment. By the January 1838, half a million Americans were jobless. The economy then briefly rebounded, but another contraction abroad brought on a second panic in October 1839, leading to four more years of depression."
– *Waking Giant: America in the Age of Jackson* by David S. Reynolds, p. 310-311

“This session, the session of 1833, was known at the time as the “panic” session. The Bank was still a prodigious power, and it was allied to and supported by the great Whig party, with Henry Clay in its lead. It was in no humor, therefore, to abandon the fight, but it determined by the use of its great money power, in aid of its political associates, to extort from Congress a renewal of its charter. **Its plan of campaign was, by contracting circulation, calling in its loans, and discontinuing future loans at the mother Bank, to produce as much disaster and distress as possible**, and to keep the ears of Congress constantly harassed with memorials from every quarter of the Union where it had influence enough to get them signed, reciting in the most affecting manner the ruin that the veto and the removal of the deposits had brought on the country. **Its movements were directed especially against business communities, and establishments employing a great many operatives, so as to throw out of employment as many working men as possible.** One loan of $100,000 to a single distress-agitator was detected, and $1,100,000 was discovered to have been put with a single broker, to be employed in making panic and distress. The plan was fully carried out, according to its design. Wherever the Bank through its manifold agencies could cause a disaster, the disaster was caused.” – *Andrew Jackson and the Bank of the United States* by William L. Royall, p. 24-25

“The day of the Bank’s doom had arrived. Goaded by public reproaches, and left alone in a state of suspension by other banks, in January, 1840, she essayed the perilous effort of resumption. No one approached her doors save to demand specie. In twenty days six millions of dollars in coin, accumulated by great effort to operate on the extra session of Congress, were taken from her. She was forced to close her doors again, but of course with the pretence published to the world that the suspension was only temporary and for the public good. But she never again resumed. In time, the stockholders having become alarmed, appointed a committee of themselves to look into the affairs of the Bank, who found it a shell. The thirty-five millions of capital was all gone, to the last dollar. The seventy-six millions of assets sworn to the month before she suspended for the last time either could not be discovered or were worthless. And now, when the confiding stockholders came to look into the manner in which their trusted officers had dealt with their money; when they came to examine the true inwardness of the affair, strange things made their appearance. The committee of the stockholders, having made a thorough examination of the Bank’s affairs, reported, and showed that **from the year 1830 to the year 1836, the period when it was making its most desperate struggles for a re-charter, the loans and discount of the Bank were about doubled, its expenses trebled. Near thirty millions of these loans were not loans upon business paper; they were loans to members of Congress, editors of newspapers, brawling politicians, brokers, jobbers, favorites and connections. They were in most instances made by Mr. Biddle himself**, the directory having put everything under the control of the exchange committee, and it having practically put everything under his sole control. The details of the manner in which the Bank’s money was squandered to control political power would be sickening, if it did not arouse indignation and wrath. **From 1830 to 1836 large sums were always out on loan to members of Congress**…Indictments were found by the grand jury of the county of Philadelphia against Nicholas Biddle, Samuel Jaudon and John Andrews, officers of the Bank, for a conspiracy to defraud the stockholders in the Bank. They were arrested and held to bail for trial. They were released from custody, however, upon a writ of habeas corpus, upon some technicality, and were never brought to trial before a jury. And thus miserably ended the great Bank of the United States, an institution that for a generation had swayed the destinies of America, and which was powerful enough to control the Congress of the United States.”
– *Andrew Jackson and the Bank of the United States* by William L. Royall, p. 51-53

“The President immediately took up his promise to destroy the Second Bank of the United States. Hamilton’s charter for the First Bank had not been renewed in 1811, after an intense debate over whether a national bank violated the Constitution by giving too much power to the government; state-chartered banks resented having to compete with and be regulated by the federal institution. In 1816, however, the financial chaos created by the War of 1812 and the explosive growth of State banks led Congress to charter a Second Bank for twenty years. Headquartered in Philadelphia under the direction of an arrogant patrician named Nicholas Biddle between 1823 and 1832, the Second Bank proved no less controversial than the First. Biddle’s bank – like its predecessor, **a private corporation operating with quasi-governmental authority** – served as a cautious, reasonably effective regulator of the growing economy. It issued bank notes, lent money, sold government bonds, held federal reserves, stabilized domestic and foreign exchange, tried to control the international balance of payments, disciplined state banks by requiring them to maintain adequate reserves – and made more enemies than friends.”
– *Morgan: American Financier* by Jean Strouse, p. 22

Dr. Carroll Quigley's Description of International Bankers

"In effect, this creation of paper claims greater than the reserves available means that bankers were creating money out of nothing. The same thing could be done in another way, not by note-issuing banks but by deposit banks. Deposit bankers discovered that orders and checks drawn against deposits by depositors and given to third persons were often not cashed by the latter but were deposited to their own accounts. Thus there were no actual movements of funds, and payments were made simply by bookkeeping transactions on the accounts. Accordingly, it was necessary for the banker to keep on hand in actual money (gold, certificates, and notes) no more than the fraction of deposits likely to be drawn upon and cashed; the rest could be used for loans, and if these loans were made by creating a deposit for the borrower, who in turn would draw checks upon it rather than withdraw it in money, such "created deposits" or loans could also be covered adequately by retaining reserves to only a fraction of their value. Such created deposits also were a creation of money out of nothing, although bankers usually refused to express their actions, either note issuing or deposit lending, in these terms. William Paterson, however, on obtaining the charter of the Bank of England in 1694, to use the moneys he had won in privateering, said, "The Bank hath benefit of interest on all moneys which it creates out of nothing." This was repeated by Sir Edward Holden, founder of the Bank, on December 18, 1907, and is, of course, generally admitted today."
– *Tragedy and Hope* by Carroll Quigley, p. 48-49

"The influence of financial capitalism and of the international bankers who created it was exercised both on business and on governments, but could have done neither if it had not been able to persuade both these to accept two "axioms" of its own ideology. Both of these were based on the assumption that politicians were too weak and too subject to temporary popular pressures to be trusted with control of the money system; accordingly, the sanctity of all values and the soundness of money must be protected in two ways: by basing the value of money on gold and by allowing bankers to control the supply of money. To do this it was necessary to conceal, or even to mislead, both governments and people about the nature of money and its methods of operation."
– *Tragedy and Hope* by Carroll Quigley, p. 60

"The names of some of these banking families are familiar to all of us and should be more so. They include Baring, Lazard, Erlanger, Warburg, Schroder, Seligman, the Speyers, Mirabaud, Mallet, Fould, and above all Rothschild and Morgan. Even after these banking families became fully involved in domestic industry by the emergence of financial capitalism, they remained different from ordinary bankers in distinctive ways: (1) they were cosmopolitan and international; (2) they were close to governments and were particularly concerned with questions of government debts, including foreign government debts, even in areas which seemed, at first glance, poor risks, like Egypt, Persia, Ottoman Turkey, Imperial China, and Latin America; (3) their interests were almost exclusively in bonds and very rarely in goods, since they admired "liquidity" and regarded commitments in commodities or even real estate as the first step toward bankruptcy; (4) they were, accordingly, fanatical devotees of deflation (which they called "sound" money from its close associations with high interest rates and a high value of money) and of the gold standard, which, in their eyes, symbolized and ensured these values; and (5) they were almost equally devoted to secrecy and the secret use of financial influence in political life. These bankers came to be called "international bankers" and, more particularly, were known as "merchant bankers" in England, "private bankers" in France, and "investment bankers" in the United States. In all countries they carried on various kinds of banking and exchange activities, but everywhere they were sharply distinguishable from other, more obvious, kinds of banks, such as savings banks or commercial banks. One of their less obvious characteristics was that they remained as private unincorporated firms, usually partnerships, until relatively recently, offering no shares, no reports, and usually no advertising to the public. This risky status, which deprived them of limited liability, was retained, in most cases, until modern inheritance taxes made it essential to surround such family wealth with the immorality of corporate status for tax-avoidance purposes. This persistence as private firms continued because it ensured the maximum of anonymity and secrecy to persons of tremendous public power who dreaded public knowledge of their activities as an evil almost as great as inflation. As a consequence, ordinary people had no way of knowing the wealth or areas of operation of such firms, and often were somewhat hazy as to their membership."
– *Tragedy and Hope* by Carroll Quigley, p. 59

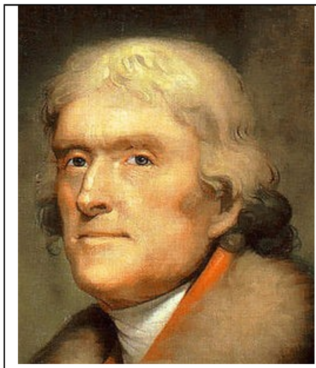
"In addition to their power over government based on government financing and personal influence, bankers could steer governments in ways they wished them to go by other pressures. Since most government officials felt ignorant of finance, they sought advice from bankers whom they considered to be experts in the field. The history of the last century shows, as we shall see later, that the advice given to governments by bankers, like the advice they gave to industrialists, was consistently good for bankers, but was often disastrous for governments, businessmen, and the people generally. Such advice could be enforced if necessary by manipulation of exchanges, gold flows, discount rates, and even levels of business activity." – *Tragedy and Hope* by Carroll Quigley, p. 62

"In addition to these pragmatic goals, the powers of financial capitalism had another far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent private meetings and conferences. The apex of the system was to be the Bank for International Settlements in Basle, Switzerland, a private bank owned and controlled by the world's central banks which were themselves private corporations. Each central bank, in the hands of men like Montagu Norman of the Bank of England, Benjamin Strong of the New York Federal Reserve Bank, Charles Rist of the Bank of France, and Hjalmar Schacht of the Reichsbank, sought to dominate its government by its ability to control Treasury loans, to manipulate foreign exchanges, to influence the level of economic activity in the country, and to influence cooperative politicians by subsequent economic rewards in the business world. In each country the power of the central bank rested largely on its control of credit and money supply. In the world as a whole the power of the central bankers rested very largely on their control of loans and of gold flows." – *Tragedy and Hope* by Carroll Quigley, p. 324

Note: Dr. Carroll Quigley was a professor of history at Georgetown University; one of his students was Bill Clinton, the former President of the U.S.

“In each country the power of the central bank rested largely on its control of credit and money supply. In the world as a whole the power of the central bankers rested very largely on their control of loans and of gold flows. In the final days of the system, these central bankers were able to mobilize resources to assist each other through the B.I.S., where payments between central banks could be made by bookkeeping adjustments between the accounts which the central banks of the world kept there. The B.I.S. as a private institution was owned by the seven chief central banks and was operated by the heads of these, who together formed its governing board. Each of these kept a substantial deposit at the B.I.S., and periodically settled payments among themselves (and thus between the major countries of the world) by bookkeeping in order to avoid shipments of gold. They made agreements on all the major financial problems of the world, as well as on many of the economic and political problems, especially in reference to loans, payments, and the economic future of the chief areas of the globe. The B.I.S. is generally regarded as the apex of the structure of financial capitalism whose remote origins go back to the creation of the Bank of England in 1694 and the Bank of France in 1803. As a matter of fact its establishment in 1929 was rather an indication that the centralized world financial system of 1914 was in decline. It was set up rather to remedy the decline of London as the world's financial center by providing a mechanism by which a world with three chief financial centers in London, New York, and Paris could still operate as one. The B.I.S. was a vain effort to cope with the problems arising from the growth of a number of centers. It was intended to be the world cartel of ever-growing national financial powers by assembling the nominal heads of these national financial centers. The commander in chief of the world system of banking control was Montagu Norman, Governor of the Bank of England, who was built up by the private bankers to a position where he was regarded as an oracle in all matters of government and business. In government the power of the Bank of England was a considerable restriction on political action as early as 1819 but an effort to break this power by a modification of the bank’s charter in 1844 failed. In 1852, Gladstone, then chancellor of the Exchequer and later prime minister, declared, “The hinge of the whole situation was this: the government itself was not to be a substantive power in matters of Finance, but was to leave the Money Power supreme and unquestioned.” This power of the Bank of England and of its governor was admitted by most qualified observers. **In January, 1924, Reginald McKenna, who had been chancellor of the Exchequer in 1915-1916, as chairman of the board of the Midland Bank told its stockholders: “I am afraid the ordinary citizen will not like to be told that the banks can, and do, create money.... And they who control the credit of the nation direct the policy of Governments and hold in the hollow of their hands the destiny of the people.”** In that same year, Sir Drummond Fraser, vice-president of the Institute of Bankers, stated, “The Governor of the Bank of England must be the autocrat who dictates the terms upon which alone the Government can obtain borrowed money.” On September 26, 1921, *The Financial Times* wrote, “Half a dozen men at the top of the Big Five Banks could upset the whole fabric of government finance by refraining from renewing Treasury Bills.” Vincent Vickers, who had been a director of the bank for nine years, said, “Since 1919 the monetary policy of the Government has been the policy of the Bank of England and the policy of the Bank of England has been the policy of Mr. Montagu Norman.” On November 11, 1927, the Wall Street Journal called Mr. Norman “the currency dictator of Europe.” This fact was admitted by Mr. Norman himself before the court of the bank on March 21, 1930, and before the Macmillan Committee five days later. Montagu Norman’s position may be gathered from the fact that his predecessors in the governorship, almost a hundred of them, had served two-year terms, increased rarely, in time of crisis, to three or even four years. But Norman held the position for twenty-four years (1920-1944), during which he became the chief architect of the liquidation of Britain’s global preeminence.”
– *Tragedy and Hope* by Carroll Quigley, p. 324-325

“In the 1920’s, **they were determined to use the financial power of Britain and of the United States to force all the major countries of the world to go on the gold standard and to operate it through central banks free from all political control, with all questions of international finance to be settled by agreements by such central banks without interference from governments.** It must not be felt that these heads of the world’s chief central banks were themselves substantive powers in world finance. They were not. Rather, they were the technicians and agents of the dominant investment bankers of their own countries, who had raised them up and were perfectly capable of throwing them down. The substantive financial powers of the world were in the hands of these investment bankers (also called “international” or “merchant” bankers) who remained largely behind the scenes in their own unincorporated private banks. These formed a system of international cooperation and national dominance which was more private, more powerful, and more secret than that of their agents in the central banks. This dominance of investment bankers was based on their control over the flows of credit and investment funds in their own countries and throughout the world. They could dominate the financial and industrial systems of their own countries by their influence over the flow of current funds through bank loans, the discount rate, and the re-discounting of commercial debts; they could dominate governments by their control over current government loans and the play of the international exchanges. Almost all of this power was exercised by the personal influence and prestige of men who had demonstrated their ability in the past to bring off successful financial coupe, to keep their word, to remain cool in a crisis, and to share their winning opportunities with their associates. In this system the Rothschilds had been preeminent during much of the nineteenth century, but, at the end of that century, they were being replaced by J. P. Morgan whose central office was in New York, although it was always operated as if it were in London (where it had, indeed, originated as George Peabody and Company in 1838). Old J. P. Morgan died in 1913, but was succeeded by his son of the same name (who had been trained in the London branch until 1901), while the chief decisions in the firm were increasingly made by Thomas W. Lamont after 1924.”
– *Tragedy and Hope* by Carroll Quigley, p. 326-327



Thomas Jefferson

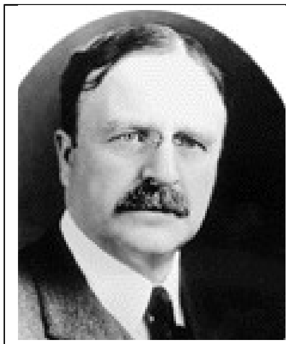
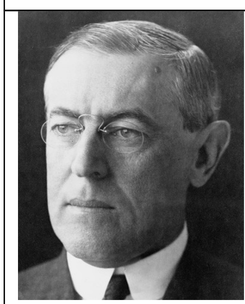
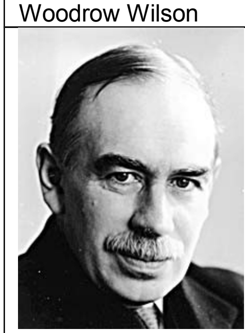
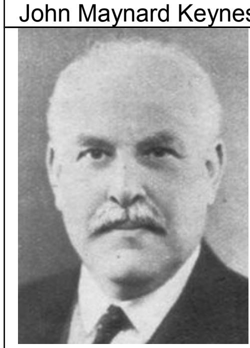
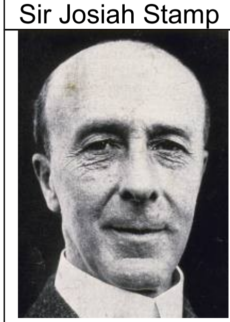
"Everything predicted by the enemies of banks, in the beginning, is now coming to pass. We are to be ruined now by the deluge of bank paper, as we were formerly by the old Continental paper. It is cruel that such revolutions in private fortunes should be at the mercy of avaricious adventurers, who, instead of employing their capital, if any they have, in manufactures, commerce, and other useful pursuits, make it an instrument to burden all the interchanges of property with their swindling profits, profits which are the price of no useful industry of theirs. Prudent men must be on their guard in this game of Robin's alives, and take care that the spark does not extinguish in their hands. I am an enemy to all banks discounting bills or notes for anything but coin."
– Thomas Jefferson, in a letter to Dr. Thomas Cooper on January 16, 1814

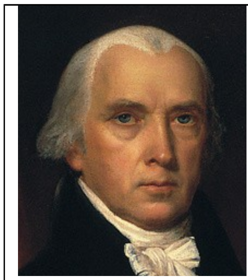
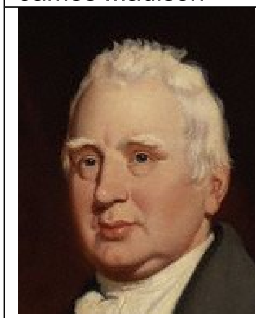
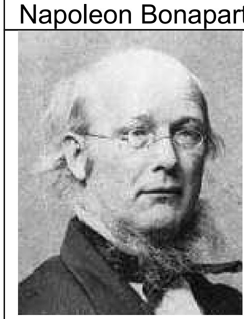
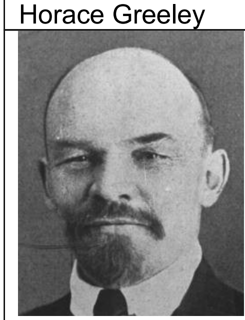
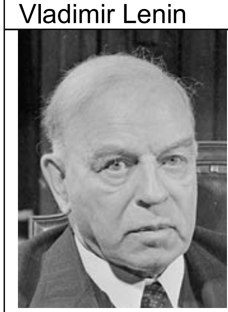
"I do not remember the conversation between us which you mention in yours of November 15th, on your proposition to vest in Congress the exclusive power of establishing banks. **My opposition to it must have been grounded, not on taking the power from the States, but on leaving any vestige of it in existence, even in the hands of Congress; because it would only have been a change of the organ of abuse. I have ever been the enemy of banks, not of those discounting for cash, but of those foisting their own paper into circulation, and thus banishing our cash. My zeal against those institutions was so warm and open at the establishment of the Bank of the United States, that I was derided as a maniac by the tribe of bank-mongers, who were seeking to filch from the public their swindling and barren gains. But the errors of that day cannot be recalled. The evils they have engendered are now upon us, and the question is how we are to get out of them?** Shall we build an altar to the old paper money of the Revolution, which ruined individuals but saved the republic, and burn on that all the bank charters, present and future, and their notes with them? For these are to ruin both republic and individuals. This cannot be done. The mania is too strong. It has seized, by its delusions and corruptions, all the members of our governments, general, special and individual."
– Thomas Jefferson, in a letter to John Adams, written at Monticello (Virginia) on January 24, 1814

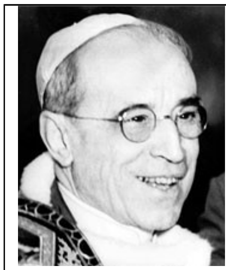
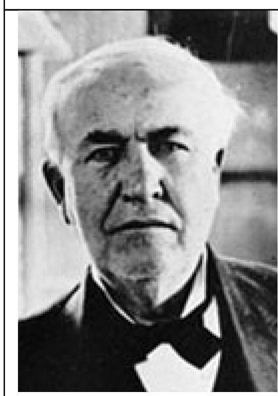
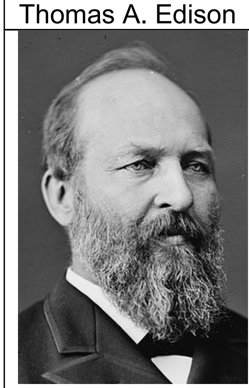
"And I sincerely believe, with you, that banking establishments are more dangerous than standing armies; and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale."
– Thomas Jefferson, in a letter to John Taylor on May 28, 1816

"I am not among those who fear the people. They, and not the rich, are our dependence for continued freedom. And to preserve their independence, we must not let our rulers load us with perpetual debt. We must make our election between economy and liberty, or profusion and servitude. If we run into such debts, as that we must be taxed in our meat and in our drink, in our necessaries and our comforts, in our labors and our amusements, for our callings and our creeds, as the people of England are, our people, like them, must come to labor sixteen hours in the twenty-four, give the earnings of fifteen of these to the government for their debts and daily expenses; and the sixteenth being insufficient to afford us bread, we must live, as they now do, on oatmeal and potatoes; have no time to think, no means of calling the mismanagers to account; but be glad to obtain subsistence by hiring ourselves to rivet their chains on the necks of our fellow-sufferers."
– Thomas Jefferson, in a letter to Samuel Kerchival on July 12, 1816

"I believe that banking institutions are more dangerous to our liberties than standing armies. . . The modern theory of the perpetuation of debt has drenched the earth with blood, and crushes its inhabitants under burdens ever accumulating. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered. The issuing power should be taken from the banks and restored to the people, to whom it properly belongs."
– U.S. President Thomas Jefferson, 1802, in a letter to the Secretary of the Treasury Albert Gallatin and later published in The Debate Over The Recharter Of The Bank Bill (1809)

 John F. Hylan	"The real menace of our Republic is this invisible government which like a giant octopus sprawls its slimy legs over our cities, states, and nation. Like the octopus of real life, it operates under cover of a self-created screen. It seizes in its long and powerful tentacles our executive officers, our legislative bodies, our schools, our courts, our newspaper, and every agency created for the public protection. It squirms in the jaws of darkness and thus is the better able to clutch the reins of government, secure enactment of the legislation favorable to corrupt business, violate the law with impunity, smother the press and reach into the courts. …At the head of this octopus are the Rockefeller-Standard Oil interests and a small group of powerful banking houses generally referred to as the international bankers. The little coterie of powerful international bankers virtually run the United States government for their own selfish purposes. They practically control both political parties, write political platforms, make cat's-paws of party leaders, use the leading men in private organizations, and resort to every device to place in nomination for high office only such candidates as will be amenable to the dictate of corrupt big business. They connive at centralization of government on the theory that a small group of handpicked, privately controlled individuals in power can be more easily handled than a larger group among whom there will most likely be men sincerely interested in public welfare. These international bankers and Rockefeller-Standard Oil interests control the majority of newspapers and magazines in this country. They use the columns of these papers to club into submission or drive out of office public officials who refuse to do the bidding of the powerful corrupt cliques which compose the invisible government." – John F. Hylan, Mayor of New York City (1918-1925), from a speech made in 1922
 Woodrow Wilson	"I am a most unhappy man. I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated governments in the civilized world. No longer a government by free opinion, no longer a government by conviction and the vote of the majority, but a government by the opinion and duress of a small group of dominant men." – U.S. President Woodrow Wilson, 1916
 John Maynard Keynes	"By a continuous process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method, they not only confiscate, but they confiscate arbitrarily; and while the process impoverishes many, it actually enriches some … The process engages all of the hidden forces of economic law on the side of destruction, and does it in a manner that not one man in a million can diagnose." – John Maynard Keynes, *The Economic Consequences of the Peace*, 1919
 Sir Josiah Stamp	"The modern banking system manufactures money out of nothing. The process is perhaps the most astonishing piece of slight of hand ever invented. Banking was conceived in iniquity, and born in sin. Bankers own the earth. Take it away from them, but leave them the power to create money, and with the flick of a pen, they will create enough money to buy it back again. Take this great power away from them, and all great fortunes like mine will disappear. And, they ought to disappear, for then this would be a better and happier world to live in. But if you want to continue to be the slaves of the bankers, and pay the cost of your own slavery, then let bankers continue to create money, and control credit." – Sir Josiah Stamp (1880-1941), former governor of the Bank of England, from a lecture in the late 1920's at University of Texas
 Reginald McKenna	"I am afraid the ordinary citizen will not like to be told that the banks can, and do, create money... And they who control the credit of the nation direct the policy of Governments and hold in the hollow of their hands the destiny of the people." – Reginald McKenna, former Chancellor of the British Exchequer (1915-1916), in January 1924 (Source: *Tragedy and Hope* by Carroll Quigley, p. 325)

 James Madison	“History records that the money changers have used every form of abuse, intrigue, deceit, and violent means possible to maintain their control over governments by controlling the money and its issuance.” – James Madison
 William Cobbett	“…That so long as I am compelled to pay interest for a Debt, it is no matter to whom, or under what name, I pay it. This is an obvious truth. There is something so consummately ridiculous in the idea of a nation's getting money by paying interest to itself upon its own stock, that the mind of every rational man naturally rejects it. It is, really, something little short of madness to suppose, that a nation can increase its wealth; increase its means of paying others; that it can do this by paying interest to itself. When time is taken to reflect, no rational man will attempt to maintain a proposition so shockingly absurd.” – William Cobbett, M.P., *Paper Against Gold*, p.83, from a letter Cobbett wrote in September 1810
 Napoleon Bonaparte	“When a government is dependent for money upon the bankers, they and not the leaders of the government control the situation, since the hand that gives is above the hand that takes ... financiers are without patriotism and without decency...” – Napoleon Bonaparte
 Horace Greeley	"While boasting of our noble deeds, we are careful to conceal the ugly fact that by an iniquitous money system we have nationalized a system of oppression which, though more refined, is not less cruel than the old system of chattel slavery." – Horace Greeley, former editor of *The New York Times*
 Vladimir Lenin	“The surest way to destroy a nation is to debauch its currency.” – Vladimir Lenin
 William Lyon Mackenzie King	"Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of Parliament and of democracy is idle and futile...Once a nation parts with control of its currency and credit, it matters not who makes that nation's laws...Usury once in control will wreck any nation" – William Lyon Mackenzie King, former Prime Minister of Canada, in 1935

 Pope Pius XII	"This power becomes particularly irresistible when exercised by those who, because they hold and control money, are able also to govern credit and determine its allotment, for that reason supplying so to speak, the life-blood to the entire economic body, and grasping, as it were, in their hands the very soul of production, so that no one dare breathe against their will." – Pope Pius XII, from his encyclical letter "THE RECONSTRUCTION OF THE SOCIAL ORDER"
	"This is a staggering thought. We are completely dependent on the commercial Banks. Someone has to borrow every dollar we have in circulation, cash or credit. If the Banks create ample synthetic money we are prosperous; if not, we starve. We are absolutely without a permanent money system. When one gets a complete grasp of the picture, the tragic absurdity of our hopeless position is almost incredible, but there it is. It is the most important subject intelligent persons can investigate and reflect upon. It is so important that our present civilization may collapse unless it becomes widely understood and the defects remedied very soon." – Robert H. Hemphill, former Credit Manager of the Federal Reserve Bank of Atlanta (Senate Document No. 23, January 24, 1939)
 Thomas A. Edison	"People who will not turn a shovel full of dirt on the project (Muscel Shoals Dam) nor contribute a pound of material, will collect more money from the United States than will the People who supply all the material and do all the work. This is the terrible thing about interest...But here is the point: If the nation can issue a dollar bond it can issue a dollar bill. The element that makes the bond good makes the bill good also. The difference between the bond and the bill is that the bond lets the money broker collect twice the amount of the bond and an additional 20%. Whereas the currency, the honest sort provided by the Constitution, pays nobody but those who contribute in some useful way. It is absurd to say our Country can issue bonds and cannot issue currency. Both are promises to pay, but one fattens the usurer and the other helps the People. If the currency issued by the People were no good, then the bonds would be no good either. It is a terrible situation when the Government, to insure the National Wealth, must go in debt and submit to the ruinous interest charges at the hands of men who control the fictitious value of gold. Interest is the invention of Satan." – Thomas A. Edison, inventor of the light bulb
 James A. Garfield	"When the money of the country is gold and silver, it adapts itself to the fluctuations of business without the aid of legislation. If, at any time, we have more than is needed, the surplus flows off to other countries through the channels of international commerce. If less, the deficiency is supplied through the same channels. Thus the monetary equilibrium is maintained. So immense is the trade of the world that the golden streams pouring from California and Australia into the specie circulation, are soon absorbed in the great mass and equalized throughout the world, as the waters of all the rivers are spread upon the surface of all the seas. Not so, however, with an inconvertible paper currency. Excepting the specie used in payment of customs and the interest on our public debt, we are cut off from the money currents of the world. Our currency resembles rather the waters of an artificial lake which lie in stagnation or rise to full banks at the caprice of the gatekeeper. Gold and silver abhor depreciated paper money, and will not keep company with it. If our currency be more abundant than business demands, not a dollar of it can go abroad; if deficient, not a dollar of gold will come in to supply the lack. There is no Legislature on earth, wise enough to adjust such a currency to the wants of the country." – James A. Garfield, U.S. Congressman (Republican-Ohio), in a speech he delivered in the U.S. House of Representatives on May 15, 1868 "Whoever controls the volume of money in any country is absolute master of all industry and commerce. And when you realize that the entire system is very easily controlled, one way or another, by a few powerful men at the top, you will not have to be told how periods of inflation and depression originate." – U.S. President James A. Garfield

Otto von Bismarck (left), Andrew Jackson (center), and Abraham Lincoln

“The division of the United States into two federations of equal force was decided long before the Civil War by the High Financial Power of Europe. These bankers were afraid that the United States, if they remained in one block and as one nation, would attain economical and financial independence, which would upset their financial domination over the World. The voice of the Rothschilds predominated. They foresaw tremendous booty if they could substitute two feeble democracies, indebted to the Jewish financiers, to the vigorous Republic, confident and self-providing. Therefore, they started their emissaries in order to exploit the question of slavery and thus to dig an abyss between the two parts of the Republic. Lincoln never suspected these underground machinations. He was anti-Slaverist, and he was elected as such, But his character prevented him from being the man of one party. When he had affairs in his hands, he perceived that these sinister financiers of Europe, the Rothschilds, wished to make him the executor of their designs. They made the rupture between the North and the South imminent! The masters of Finance in Europe made this rupture definitive in order to exploit it to the utmost. Lincoln's personality surprised them. His candidature did not trouble them: they thought to easily dupe the candidate woodcutter. But Lincoln read their plots and soon understood, that the South was not the worst foe, but the Jew financiers. He did not confide his apprehensions; he watched the gestures of the Hidden Hand; he did not wish to expose publicly the questions which would disconcert the ignorant masses. He decided to eliminate the International bankers, by establishing a system of Loans, allowing the States to borrow directly from the people without intermediary. He did not study financial questions, but his robust good sense revealed to him, that the source of any wealth resides in the work and economy of the nation. He opposed emissions through the International financiers. He obtained from Congress the right to borrow from the people by selling to it the 'bonds' of States. The local banks were only too glad to help such a system. And the Government and the nation escaped the plots of the foreign financiers. They understood at once, that the United States would escape their grip. The death of Lincoln was resolved upon. Nothing is easier than to find a fanatic to strike.' . . .The death of Lincoln, was a disaster for Christendom. There was no man in the United States great enough to wear his boots. And Israel went anew to grab the riches of the World. I fear that Jewish Banks with their craftiness and tortuous tricks will entirely control the exuberant riches of America, and use it to systematically corrupt modern civilization. The Jew will not hesitate to plunge the whole of Christendom into wars and chaos, in order that ‘the earth should become the inheritance of Israel.’” – Otto von Bismarck, Chancellor of Germany, in 1876
(Source: 'La Vieille France,' N-216, March, 1921)

“The money power preys upon the nation in times of peace and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than autocracy, more selfish than bureaucracy. It denounces, as public enemies, all who question its methods or throw Light upon its crimes. I have two great enemies, the Southern Army in front of me and the Bankers in the rear. Of the two, the one at my rear is my greatest foe...I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. As a result of the war, corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed.”
– U.S. President Abraham Lincoln, November 21, 1864, in a letter to Col. William F. Elkins
(Reference: *The Lincoln Encyclopedia*, Archer H. Shaw (Macmillan, 1950, New York)

“If that mischievous financial policy which had its origin in the North American Republic should become indurated down to a fixture, then that government will furnish its own money without cost. It will pay off its debts and be without a debt. It will have all the money necessary to carry on its commerce. It will become prosperous beyond precedent in the history of the civilized governments of the world. The brains and wealth of all countries will go to North America. That government must be destroyed or it will destroy every monarchy on the globe.” – editorial in *The Times of London* in 1862

Excerpts from President Andrew Jackson's Farewell Address, delivered on March 4, 1837

In reviewing the conflicts which have taken place between different interests in the United States and the policy pursued since the adoption of our present form of Government, we find nothing that has produced such deep-seated evil as the course of legislation in relation to the currency. The Constitution of the United States unquestionably intended to secure to the people a circulating medium of gold and silver. But the establishment of a national bank by Congress, with the privilege of issuing paper money receivable in the payment of the public dues, and the unfortunate course of legislation in the several States upon the same subject, drove from general circulation the constitutional currency and substituted one of paper in its place.

It was not easy for men engaged in the ordinary pursuits of business, whose attention had not been particularly drawn to the subject, to foresee all the consequences of a currency exclusively of paper, and we ought not on that account to be surprised at the facility with which laws were obtained to carry into effect the paper system. Honest and even enlightened men are sometimes misled by the specious and plausible statements of the designing. But experience has now proved the mischiefs and dangers of a paper currency, and it rests with you to determine whether the proper remedy shall be applied.

The paper system being founded on public confidence and having of itself no intrinsic value, it is liable to great and sudden fluctuations, thereby rendering property insecure and the wages of labor unsteady and uncertain. The corporations which create the paper money can not be relied upon to keep the circulating medium uniform in amount. In times of prosperity, when confidence is high, they are tempted by the prospect of gain or by the influence of those who hope to profit by it to extend their issues of paper beyond the bounds of discretion and the reasonable demands of business; and when these issues have been pushed on from day to day, until public confidence is at length shaken, then a reaction takes place, and they immediately withdraw the credits they have given, suddenly curtail their issues, and produce an unexpected and ruinous contraction of the circulating medium, which is felt by the whole community. The banks by this means save themselves, and the mischievous consequences of their imprudence or cupidity are visited upon the public. Nor does the evil stop here. These ebbs and flows in the currency and these indiscreet extensions of credit naturally engender a spirit of speculation injurious to the habits and character of the people. We have already seen its effects in the wild spirit of speculation in the public lands and various kinds of stock which within the last year or two seized upon such a multitude of our citizens and threatened to pervade all classes of society and to withdraw their attention from the sober pursuits of honest industry. It is not by encouraging this spirit that we shall best preserve public virtue and promote the true interests of our country; but if your currency continues as exclusively paper as it now is, it will foster this eager desire to amass wealth without labor; it will multiply the number of dependents on bank accommodations and bank favors; the temptation to obtain money at any sacrifice will become stronger and stronger, and inevitably lead to corruption, which will find its way into your public councils and destroy at no distant day the purity of your Government. Some of the evils which arise from this system of paper press with peculiar hardship upon the class of society least able to bear it. A portion of this currency frequently becomes depreciated or worthless, and all of it is easily counterfeited in such a manner as to require peculiar skill and much experience to distinguish the counterfeit from the genuine note. These frauds are most generally perpetrated in the smaller notes, which are used in the daily transactions of ordinary business, and the losses occasioned by them are commonly thrown upon the laboring classes of society, whose situation and pursuits put it out of their power to guard themselves from these impositions, and whose daily wages are necessary for their subsistence. It is the duty of every government so to regulate its currency as to protect this numerous class, as far as practicable, from the impositions of avarice and fraud. It is more especially the duty of the United States, where the Government is emphatically the Government of the people, and where this respectable portion of our citizens are so proudly distinguished from the laboring classes of all other nations by their independent spirit, their love of liberty, their intelligence, and their high tone of moral character. Their industry in peace is the source of our wealth and their bravery in war has covered us with glory; and the Government of the United States will but ill discharge its duties if it leaves them a prey to such dishonest impositions. Yet it is evident that their interests can not be effectually protected unless silver and gold are restored to circulation.

These views alone of the paper currency are sufficient to call for immediate reform; but there is another consideration which should still more strongly press it upon your attention.

Recent events have proved that the paper-money system of this country may be used as an engine to undermine your free institutions, and that those who desire to engross all power in the hands of the few and to govern by corruption or force are aware of its power and prepared to employ it. Your banks now furnish your only circulating medium, and money is plenty or scarce according to the quantity of notes issued by them. While they have capitals not greatly disproportioned to each other, they are competitors in business, and no one of them can exercise dominion over the rest; and although in the present state of the currency these banks may and do operate injuriously upon the habits of business, the pecuniary concerns, and the moral tone of society, yet, from their number and dispersed situation, they can not combine for the purposes of political influence, and whatever may be the dispositions of some of them their power of mischief must necessarily be confined to a narrow space and felt only in their immediate neighborhoods.

But when the charter for the Bank of the United States was obtained from Congress it perfected the schemes of the paper system and gave to its advocates the position they have struggled to obtain from the commencement of the Federal Government to the present hour. The immense capital and peculiar privileges bestowed upon it enabled it to exercise despotic sway over the other banks in every part of the country. From its superior strength it could seriously injure, if not destroy, the business of any one of them which might incur its resentment; and it openly claimed for itself the power of regulating the currency throughout the United States. In other words, it asserted (and it undoubtedly possessed) the power to make money plenty or scarce at its pleasure, at any time and in any quarter of the Union, by controlling the issues of other banks and permitting an expansion or compelling a general contraction of the circulating medium, according to its own will. The other banking institutions were sensible of its strength, and they soon generally became its obedient instruments, ready at all times to execute its mandates; and with the banks necessarily went also that numerous class of persons in our commercial cities who depend altogether on bank credits for their solvency and means of business, and who are therefore obliged, for their own safety, to propitiate the favor of the money power by distinguished zeal and devotion in its service. The result of the ill-advised legislation which established this great monopoly was to concentrate the whole moneyed power of the Union, with its boundless means of corruption and its numerous dependents, under the direction and command of one acknowledged head, thus organizing this particular interest as one body and securing to it unity and concert of action throughout the United States, and enabling it to bring forward upon any occasion its entire and undivided strength to support or defeat any measure of the Government. In the hands of this formidable power, thus perfectly organized, was also placed unlimited dominion over the amount of the circulating medium, giving it the power to regulate the value of property and the fruits of labor in every quarter of the Union, and to bestow prosperity or bring ruin upon any city or section of the country as might best comport with its own interest or policy.

We are not left to conjecture how the moneyed power, thus organized and with such a weapon in its hands, would be likely to use it. The distress and alarm which pervaded and agitated the whole country when the Bank of the United States waged war upon the people in order to compel them to submit to its demands can not yet be forgotten. The ruthless and unsparing temper with which whole cities and communities were oppressed, individuals impoverished and ruined, and a scene of cheerful prosperity suddenly changed into one of gloom and despondency ought to be indelibly impressed on the memory of the people of the United States. If such was its power in a time of peace, what would it not have been in a season of war, with an enemy at your doors? No nation but the freemen of the United States could have come out victorious from such a contest; yet, if you had not conquered, the Government would have passed from the hands of the many to the hands of the few, and this organized money power from its secret conclave would have dictated the choice of your highest officers and compelled you to make peace or war, as best suited their own wishes. The forms of your Government might for a time have remained, but its living spirit would have departed from it.

The distress and sufferings inflicted on the people by the bank are some of the fruits of that system of policy which is continually striving to enlarge the authority of the Federal Government beyond the limits fixed by the Constitution. The powers enumerated in that instrument do not confer on Congress the right to establish such a corporation as the Bank of the United States, and the evil consequences which followed may warn us of the danger of departing from the true rule of construction and of permitting temporary circumstances or the hope of better promoting the public welfare to influence in any degree our decisions upon the extent of the authority of the General Government. Let us abide by the Constitution as it is written, or amend it in the constitutional mode if it is found to be defective.

The severe lessons of experience will, I doubt not, be sufficient to prevent Congress from again chartering such a monopoly, even if the Constitution did not present an insuperable objection to it. But you must remember, my fellow-citizens, that eternal vigilance by the people is the price of liberty, and that you must pay the price if you wish to secure the blessing. It behooves you, therefore, to be watchful in your States as well as in the Federal Government. The power which the moneyed interest can exercise, when concentrated under a single head and with our present system of currency, was sufficiently demonstrated in the struggle made by the Bank of the United States. Defeated in the General Government, tho same class of intriguers and politicians will now resort to the States and endeavor to obtain there the same organization which they failed to perpetuate in the Union; and with specious and deceitful plans of public advantages and State interests and State pride they will endeavor to establish in the different States one moneyed institution with overgrown capital and exclusive privileges sufficient to enable it to control the operations of the other banks. Such an institution will be pregnant with the same evils produced by the Bank of the United States, although its sphere of action is more confined, and in the State in which it is chartered the money power will be able to embody its whole strength and to move together with undivided force to accomplish any object it may wish to attain. You have already had abundant evidence of its power to inflict injury upon the agricultural, mechanical, and laboring classes of society, and over those whose engagements in trade or speculation render them dependent on bank facilities the dominion of the State monopoly will be absolute and their obedience unlimited. With such a bank and a paper currency the money power would in a few years govern the State and control its measures, and if a sufficient number of States can be induced to create such establishments the time will soon come when it will again take the field against the United States and succeed in perfecting and perpetuating its organization by a charter from Congress.

It is one of the serious evils of our present system of banking that it enables one class of society--and that by no means a numerous one--by its control over the currency, to act injuriously upon the interests of all the others and to exercise more than its just proportion of influence in political affairs. The agricultural, the mechanical, and the laboring classes have little or no share in the direction of the great moneyed corporations, and from their habits and the nature of their pursuits they are incapable of forming extensive combinations to act together with united force. Such concert of action may sometimes be produced in a single city or in a small district of country by means of personal communications with each other, but they have no regular or active correspondence with those who are engaged in similar pursuits in distant places; they have but little patronage to give to the press, and exercise but a small share of influence over it; they have no crowd of dependents about them who hope to grow rich without labor by their countenance and favor, and who are therefore always ready to execute their wishes. The planter, the farmer, the mechanic, and the laborer all know that their success depends upon their own industry and economy, and that they must not expect to become suddenly rich by the fruits of their toil. Yet these classes of society form the great body of the people of the United States; they are the bone and sinew of the country--men who love liberty and desire nothing but equal rights and equal laws, and who, moreover, hold the great mass of our national wealth, although it is distributed in moderate amounts among the millions of freemen who possess it. But with overwhelming numbers and wealth on their side they are in constant danger of losing their fair influence in the Government, and with difficulty maintain their just rights against the incessant efforts daily made to encroach upon them. The mischief springs from the power which the moneyed interest derives from a paper currency which they are able to control, from the multitude of corporations with exclusive privileges which they have succeeded in obtaining in the different States, and which are employed altogether for their benefit; and unless you become more watchful in your States and check this spirit of monopoly and thirst for exclusive privileges you will in the end find that the most important powers of Government have been given or bartered away, and the control over your dearest interests has passed into the hands of these corporations.

The paper-money system and its natural associations--monopoly and exclusive privileges--have already struck their roots too deep in the soil, and it will require all your efforts to check its further growth and to eradicate the evil. The men who profit by the abuses and desire to perpetuate them will continue to besiege the halls of legislation in the General Government as well as in the States, and will seek by every artifice to mislead and deceive the public servants. It is to yourselves that you must look for safety and the means of guarding and perpetuating your free institutions. In your hands is rightfully placed the sovereignty of the country, and to you everyone placed in authority is ultimately responsible. It is always in your power to see that the wishes of the people are carried into faithful execution, and their will, when once made known, must sooner or later be obeyed; and while the people remain, as I trust they ever will, uncorrupted and incorruptible, and continue watchful and jealous of their rights, the Government is safe, and the cause of freedom will continue to triumph over all its enemies.

But it will require steady and persevering exertions on your part to rid yourselves of the iniquities and mischiefs of the paper system and to check the spirit of monopoly and other abuses which have sprung up with it, and of which it is the main support. So many interests are united to resist all reform on this subject that you must not hope the conflict will be a short one nor success easy. My humble efforts have not been spared during my administration of the Government to restore the constitutional currency of gold and silver, and something, I trust, has been done toward the accomplishment of this most desirable object; but enough yet remains to require all your energy and perseverance. The power, however, is in your hands, and the remedy must and will be applied if you determine upon it.

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“Gentlemen, I have had men watching you for a long time and I am convinced that you have used the funds of the bank to speculate in the breadstuffs of the country. When you won, you divided the profits amongst you, and when you lost, you charged it to the bank. You tell me that if I take the deposits from the bank and annul its charter, I shall ruin ten thousand families. That may be true, gentlemen, but that is your sin! Should I let you go on, you will ruin fifty thousand families, and that would be my sin! You are a den of vipers and thieves. I intend to rout you out, and by the eternal God, I will rout you out.” – President Andrew Jackson, 1836

"If Congress has the right under the Constitution to issue paper money, it was given to be used by themselves, not to be delegated to individuals or corporations." – Andrew Jackson

Euro – the official currency of the European Union

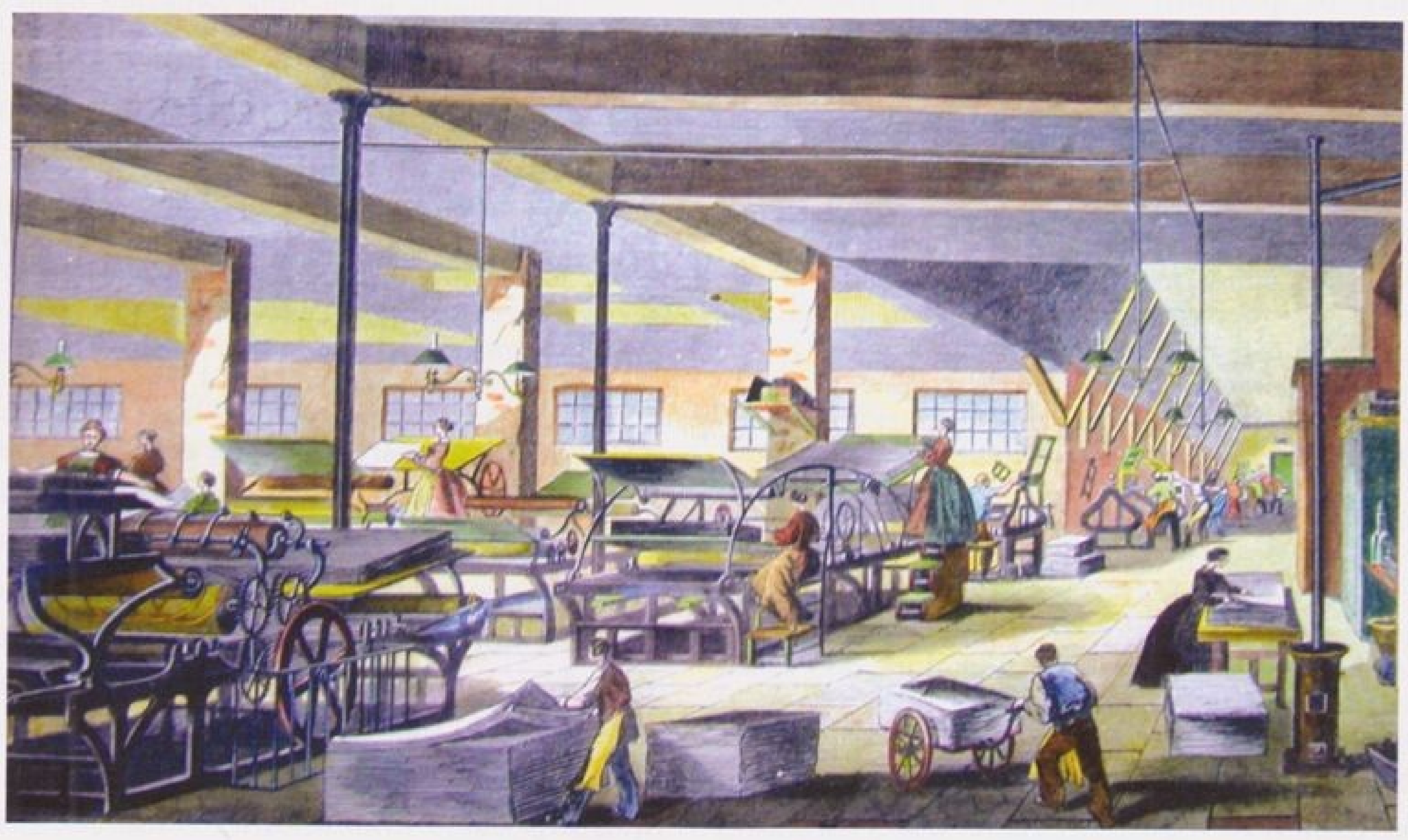
Paper money produced by the Bank of Israel, Israel's central bank

Soviet Russian paper money (bank note?)

A copy of Israel’s currency with Edmond de Rothschild portrayed on the bank note

Communist Chinese bank note produced by the People's Bank of China

This is a German Reichsbanknote dated 1 August 1942 with a face value of 5 Marks. Note the appearance of the swastika on the DRB seal of the note and the significantly higher quality printing and paper used.
(Source: http://www.snyderstreasures.com/pages/germancurrency.htm)



Printing paper money at the American Bank Note Co. in the 19th century. (Modern watercolor, courtesy of ABNCo)

(Source: *Obsolete Paper Money Issued by Banks in the United States, 1782-1866* by Q. David Bowers, p. 429)

“Central bankers like to huddle together. Their camaraderie, we dare to suggest, is cemented by resentment…Central bankers therefore take an almost malicious joy in the exclusiveness of their club. The solid town of Basle – the Swiss Philadelphia, as some call it – is far away from political clamour. The Bank for International Settlements – the BIS, pronounced ‘Biss’ – was set up there in 1930 and takes pride in being the world’s oldest international financial institution. It was created to deal with national payment problems arising from German reparations after the 1914-18 war and to provide services to the central banks, looking after some of their gold and dollar reserves. But right from the start, its special role was to promote the cooperation of central bankers. There they can huddle to their hearts’ content. One weekend each month, central bankers eagerly converge on the BIS in Basle from all the European capitals and from Washington, Ottawa, Tokyo and New York. The big names nearly always attend…” – *The Central Banks* by Marjorie Deane and Robert Pringle, p. 10-11

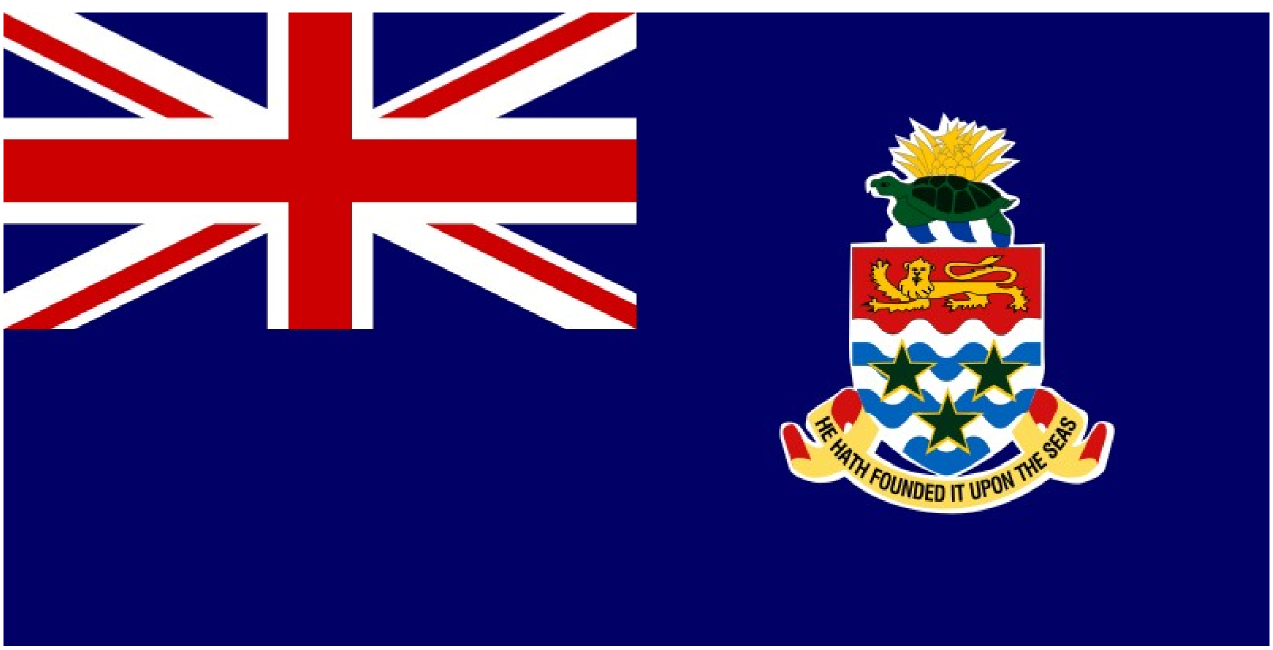
“Capital must protect itself in every way, through combination and through legislation. Debts must be collected and loans and mortgages foreclosed as soon as possible. When, through a process of law, the common people have lost their homes, they will be more tractable and more easily governed by the strong arm of the law, applied by the central power of wealth, under control of leading financiers. People without homes will not quarrel with their leaders. This is well known among our principal men now engaged in forming an imperialism of capital to govern the world. By dividing the people, they can be made to expend their energies in quarreling over questions of little importance to us, except as teachers of the common herd.”
– from *The Banker’s Manifesto* (1934)

The Royal Bank of Canada on the Cayman Islands, a British Overseas Territory island located south of Cuba. The Cayman Islands is renowned for offshore banking and tax exemptions, including the prohibition of income tax and capital gains tax. International banking firms, including American banking firms, maintain "offices" and "accounts" (i.e. slush funds) on the Cayman Islands, primarily to avoid taxation in the home countries. (Photo: [Flickr])

A map of the Cayman Islands

Cayman Islands Banking: List of Cayman Banks

Alexandria Bancorp Limited Altajir Bank BNP Private Bank & Trust Cayman Ltd Banca Unione Di Credito (Cayman) Ltd Banco Bradesco S A Banco Do Brasil S A Banco do Estado do Rio Grande do Sul S A Banrisul Banif-Banco International Do Funchal Bank Austria Cayman Islands Ltd Bank Danamon Indonesia Bank Espirito Santo International Ltd Bank Niaga Grand Cayman Branch Bank of America Trust & Banking Corp Bank of Bermuda (Cayman) Ltd Bank of China Bank of Credit & Commerce International (in liquidation) Bank of New York Trust Company Bank Vontobel Cayman BCN International Bank Ltd BCP Bank & Trust Co. Ltd. Bessemer Trust Company (Cayman) Ltd BHD Cayman International Bank Butterfield Bank (Cayman) Limited (Fort St.) Butterfield Bank (Cayman) Limited (Compass Centre) Butterfield Bank (Cayman) Limited (West Shore) CIBC Bank & Trust Company (Cayman) Limited Caledonian Bank & Trust Ltd Cayman Islands Development Bank Cayman National Bank Ltd (Main Office) Cayman National Bank Ltd (West Wind) Cayman National Bank Ltd (Buckingham Square) Cayman National Bank Ltd (Centennial Tower) Citco Bank & Trust Co Ltd Close Bank Cayman Limited Coutts (Cayman) Ltd Delta Bank & Trust Co Deutsche Bank (Cayman) Ltd Dextra-Bank & Trust Co Ltd Dresdner Bank Lateinamerika AG Dundee Bank (Dundee Leeds) Fidelity Bank(Cayman) Ltd. FirstCaribbean International Bank First Cayman Bank (In Liquidation) Fortis Bank (Cayman) Ltd	Gerfiner Bank Givens Hall Bank & Trust Ltd Gulf Union Bank Ltd HSBC Financial Services (Cayman) Limited IBJ Whitehall Bank & Trust Co Julius Baer Bank & Trust Co Ltd LGT Bank In Liechtenstein (Cayman) Ltd Mercury Bank & Trust Ltd Merrill Lynch Bank & Trust Co (Cayman) Ltd Midland Bank Trust Corporation (Cayman) Ltd Morval Bank & Trust Cayman Ltd Multi Banking Corporation (Overseas) Ltd National Building Society of Cayman NCB (Cayman) Limited PDG Bank (Cayman) Ltd Piguet Bank & Trust Ltd PT Bank Mandiri (Persero) Tbk PT Bank Niaga Queensgate Bank & Trust Co Ltd Royal Bank of Canada (Main Office) Royal Bank of Canada (Queens Court) Royal Bank of Canada Trust Co (Cayman) Ltd Schroder Cayman Bank & Trust Co Ltd Scotiabank (Cayman Islands) Ltd Scotiabank Ltd (Fosters Airport Br) Scotiabank Ltd (The Strand) Sul America International Bank (Cayman) Ltd Trade Link Bank Transocean Bank & Trust Ltd Unicorp Bank & Trust Co Ltd United Mizrahi Bank Venecredit Bank 7 Trust Ltd Wachovia Bank & Trust Company (Cayman) Ltd. Wing Hang Bank (Cayman) Ltd Cayman Brac & Little Cayman Cayman National Bank Ltd (Tibbetts Sq, Cayman Brac Cayman National Bank Ltd (Blossom Village, Little Cayman) Note: Switzerland has no tax treaties with the United States andis regarded as the most secure and prestigious location in the world for Private Banking. Source: Cayman Banking Services



Flag of the Cayman Islands

Fractional reserve banking involves bankers loaning money at a fraction of the value of the deposit. (Example: Bankers loan $200 with $100 in deposit.)
Usury involves loaning money to lenders at a high rate of interest (fee).

“By the end of the century it had become apparent that some national governments had assumed too many responsibilities that they could not properly meet. The Communist governments, which had assumed the greatest role, simply collapsed and became unable to perform even the most basic functions. In the more affluent democracies of the West, governments merely stumbled. They did not collapse, but it became apparent to the people that a government that had trouble delivering mail on time might also have trouble running the currency and overseeing the economy. A government that could not control the selling of cocaine and heroin might also have trouble policing the monetary system. A government that could not make its streets safe for its citizens or even keep the school grounds safe for children and teachers might also have problems keeping the nation’s money supply safe and free of corruption.”
– *The History of Money* by Jack Weatherford, p. 188-189

“Throughout the twentieth century, the power of governments to control money grew tremendously in virtually all parts of the world. This increased control allowed government authorities to print more money, to borrow, or to do whatever they wished when they needed to increase spending or adjust the economy. As governments increased their spending, they also increased their power over the economy in thousands of large and small ways. No longer constrained by the need to have a specific gold reserve for each unit of money issued, the governments simply issued more money to finance their new undertakings. Politicians can always conjure up good reasons to tamper with the money; they often set out to combat some great evil lurking over the horizon or aver t some horrific disaster looming in our children’s future. When Franklin Roosevelt took the United States off the gold standard internally, it was for good reasons – to end the Depression and then to fight World War II. Then the United States had to rebuild Europe and combat communism, which encouraged more debts. Lyndon Johnson encouraged the politicians to accumulate more debt to fight the war in Vietnam and simultaneously conduct the War on Poverty at home. Rather than reversing Johnson’s policies when it became apparent that the United States was losing both wars, Richard Nixon took the dollar off the gold standard completely. With the financial freedom granted by the new easy money, politicians on both the Right and the Left could finance whatever pet projects they might support – more highways and food stamps, exploration of outer space and increased agricultural subsidies, foreign aid and urban housing, Star Wars weapons and art endowments, cancer research and fighting the narcotics trade. The country had enough money to finance the ruthless regimes of friendly dictators and to invade or pay for guerilla wars against small countries run by unfriendly dictators. It seemed that everyone could have everything. The politicians, lobbyists, and special interests had tapped into the magic formula for generating wealth from air.” – *The History of Money* by Jack Weatherford, p. 186-187

“Many of us regard these hoard s of gold as a kind of psychic security that backs up the dollars we carry in our pockets and purses. The gold at Fort Knox and in the Federal Reserve is believed to represent the American monetary system. Our government makes no effort to counter that notion, but it is merely one of the many myths that otherwise rational and well-informed people hold about money today. **In truth, the gold in Fort Knox and the Federal Reserve actually has nothing to do with the American dollar.** Since President Richard Nixon severed the final tie between the dollar and gold, not one ounce of gold anywhere in the world stands behind the U.S. dollar. The piles of gold are part of the wealth of the American government, as are the government storehouses filled with soybeans, nickel, and old furniture, but they are not a part of the money system. The dollar no more rests on the gold at Fort Knox than on the government stockpiles of processed cheese kept in its refrigerated warehouses. Our dollar is neither a silver dollar nor a gold one. The government will not redeem a dollar bill for anything other than another dollar bill. **The dollar is simply fiat currency.** The dollar rests on the power of the government and the faith of the people who use it – faith that it will be able to buy something tomorrow, faith that the U.S. government will continue to exist and to accept dollars in payment of taxes and pay them out in expenses, and faith that other people will continue to believe in it. Aside from that faith, nothing backs up the dollar.”
– *The History of Money* by Jack Weatherford, p. 179-180

“The problem with a gold-based currency is that it is limited by the amount of gold in the world, and that amount fluctuates with each new find and each new development in technology.. At times, newly discovered gold floods the market unexpectedly. At other times, it trickles in very slowly even though the economy may desperately need an infusion of money. Sometimes governments, banks, and even wealthy individuals can temporarily manipulate the gold market for their own benefit, but for the most part, it operates beyond the control of individuals and even nations. The necessity of converting the money to gold on demand prevents the government from making too many loans or issuing too much money in order to satisfy a temporary political problem. As long as the citizens have the right to turn their paper money into gold, they hold a vote on how the monetary system works and how much faith they have in their politicians. As soon as they lose confidence in the paper, they can convert to gold and abandon the paper.”
– *The History of Money* by Jack Weatherford, p. 180-181

“One of Roosevelt’s first acts as president was to take the United States off the gold standard in order to stimulate the economy and increase the government’s ability to borrow money to finance his economic and social policies. By an act of March 9, 1933, “to provide relief in the existing national emergency in banking and other purposes,” Congress gave Roosevelt the power to prevent the “hoarding” of gold. By Roosevelt’s executive order a month later U.S. citizens and residents could no longer redeem their dollars for gold, but externally, the United States remained on the gold standard so that other countries and foreign banks could still convert their dollars into gold as they needed. Roosevelt also nationalized gold and made it a crime punishable by arrest and imprisonment for an American citizen to hold gold bullion or coins.”
– *The History of Money* by Jack Weatherford, p. 181

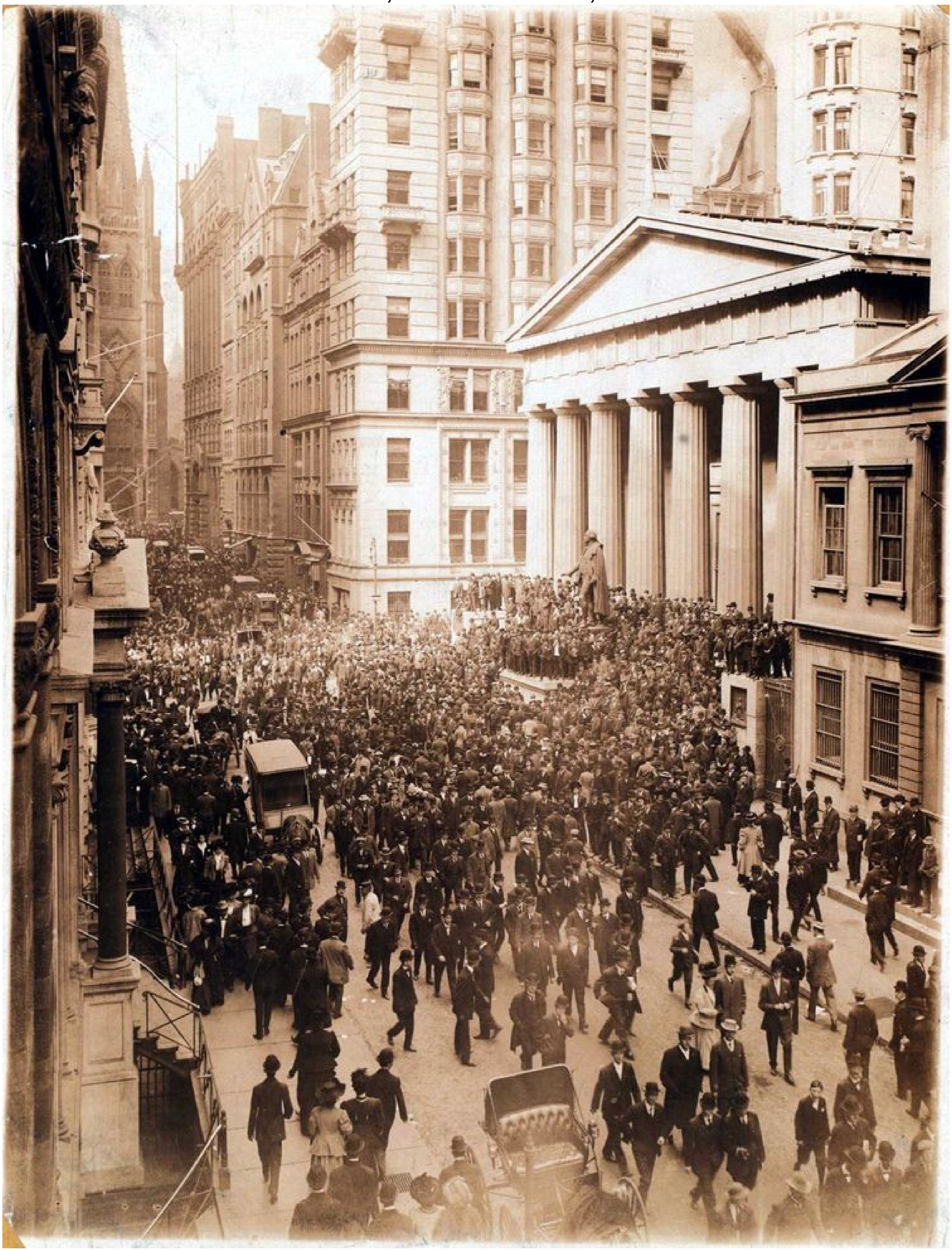
“Throughout the nineteenth century, the European governments found themselves severely limited by the gold system around them. Unable to give away lands and make grants as earlier monarchs had done and unable to print endless amounts of money, the governments needed to find new ways to enrich themselves. If gold was the ultimate valuable behind the currency, then to make more money, they need more gold. This need for gold set off the greatest international scramble since the conquest of America in the sixteenth century. The European governments sent out armies around the world in search of gold. They found it in South Africa, Australia, Siberia, and the Yukon. Even the United States became a major producer of gold in the California territory, which had recently been taken from Mexico . . . Throughout the nineteenth century, spending on armaments and armies increased constantly. As government budgets for the military and the growing bureaucracies expanded, their expenditures made greater claims on the economy and began to put pressures on the gold reserves of these nations. In the process of conquering the inhabited continents and making them into colonies, the European powers created massive standing armies, navies, and the industrial and organizational structures needed o support them. With these enormous military resources available and virtually no new lands to conquer, they fell upon one another in the First World War, the greatest bloodbath known up to that time. With the outbreak of war, the governments of Europe had an excuse to take over management of their own economies, to expand the internal power of the government over all sectors of public life, to impose taxes such as income tax in the United States. If they lacked the gold to finance their new undertakings, then – in the name of patriotism and war emergency – they simply printed the money anyway and took the country off the gold standard. As long as a country stayed on the gold standard, it limited the amount of money in circulation and thereby limited the amount of money that the government could borrow. If the people lacked the money to buy government bonds, then the government had only its tax revenues to spend.”
– *The History of Money* by Jack Weatherford, p. 162-164

“During hyperinflation, as in Bolivia in 1984 and 1985, the economy operates on a cash-only basis. No one accepts payment by check or credit card because clearance takes far too long. Consequently no one keeps money on deposit in the bank. Banks make no loans because of difficulty determining the interest rate. Credit, in the local currency, ceases to exist. Even services such as telephone and electricity, which are supplied on a monthly basis and billed at the end of the month, demand advance payment unless they are government services, in which case customers wait as long as possible to pay their bills, because a bill for fifty dollars could drop to only a few pennies within a week. Hyperinflation follows a similar pattern wherever it strikes. Banks stop financing mortgages. Would-be home buyers and even businesses pay for their buildings as they progress. A conscientious family buys bricks or bags of cement as quickly as they acquire the money, even though they building the house slowly, over years or even decades. Because of this practice of investing in building materials, the cities and countryside seem to be filled with partially constructed houses, walls without roofs, houses without windows, and bare-brick structures without stucco, all of which gives the neighborhoods a deteriorated and sloppy appearance. During hyperinflation, fixed incomes no longer exist. People on pensions or retirement find the value of their payments reduced to only a few dollars a month. Even though government offices adjust the checks, they are usually weeks behind the inflation rate in an economy where even one week can reduce the value of the money by 99 percent.”
– *The History of Money* by Jack Weatherford, p. 195

“In such times of runaway inflation, currency speculation becomes a major business for virtually the entire adult community. Hundreds of people line the streets exchanging pesos for dollars on the illegal but tolerated black market. Currency traders walk the streets, and messengers scurry back and forth exchanging dollars for pesos and pesos for dollars. Because store transactions must be made in the national currency, shoppers arrive with dollars, which they trade for pesos on the street before entering the store. Because the shopkeeper does not want to be left with large numbers of pesos at the end of the day, when the customer leaves, eh sends the newly arrived pesos to a currency trader to trade them back into dollars. Often the same traders may trade the exact same bills several times in a day, charging, of course, a small fee each time. These small fees and the high turnover make the currency trader’s job much more lucrative than that of the businessmen who exchange goods. Every business, from the large national airline to the woman selling shelled nuts on the street corner, must know the value of the peso relative to that of the dollar at all times of the day and must play a constant game of shuffling pesos, dollars, and goods. As in a game of musical chairs, everyone knows that at any moment of the day, week, or year, the rates could suddenly change, and whoever has too much of one currency and not enough of the other will lose.”
– *The History of Money* by Jack Weatherford, p. 197-198

“Hyperinflation cannot last long because it destroys the capital markets and makes cash increasingly unwieldy. To keep up with the changing value of the currency and the large stacks of bills, people mentally lop off the zeros. In everyday market transactions, a million pesos simply becomes one and ten million pesos becomes ten. This may suffice for buying groceries and other small purchases, but for higher-priced items such as refrigerators and automobiles, people simply abandon the peso terminology entirely and discuss prices in dollars, regardless of whether payment will be made in dollars or pesos. Production and commerce gradually slow as people spending more and more of their daily lives searching for ways to escape the cost of inflation. As pressure increases on the government to control the inflation, and as the national economy continues to deteriorate, the government must eventually issue a new currency that removes the zeroes and returns the currency to between one and ten to the dollar. Although hyperinflation is devastating for some segments of the population, other – debtors, for example – benefit from it. During inflation loans that once totaled thousands of dollars are reduced to only a few cents.”
– *The History of Money* by Jack Weatherford, p. 198

ECONOMIC PANICS, RECESSIONS, & DEPRESSIONS



A crowd forms on Wall Street in New York City during the Bankers' Panic of 1907 in October 1907.
(Photo: New York Public Library Digital Gallery, Irma and Paul Milstein Division of United States History, Local History and Genealogy)

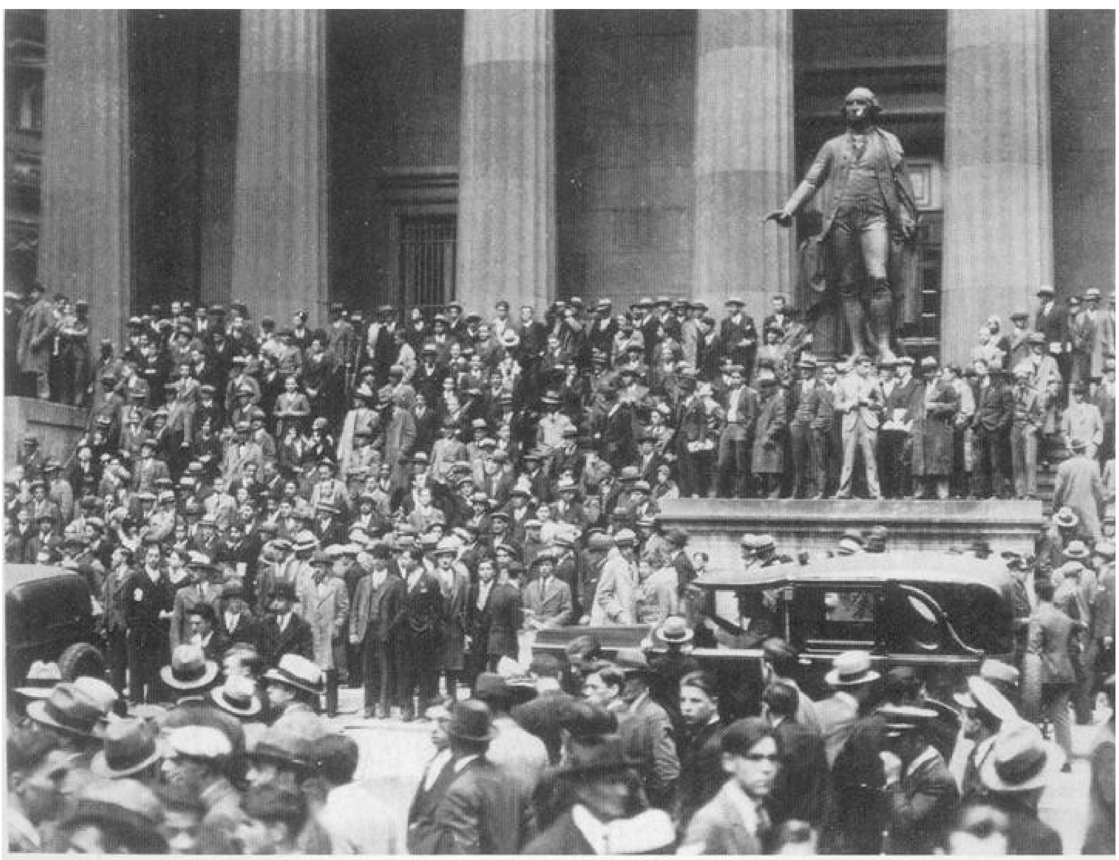
Commotion on Wall Street on October 14, 1857, the day that all but one bank in New York City stopped redeeming their paper money with coins.

Commotion on Wall Street in New York City on October 14, 1857 during the Panic of 1857
(Source: *Obsolete Paper Money Issued by Banks in the United States, 1782-1866* by Q. David Bowers, p. 339)

A run on a bank in the Panic of 1857, as customers sought to withdraw their deposits and also to exchange paper money for coins.

"A run on a bank in the Panic of 1857, as customers sought to withdraw their deposits and also to exchange paper money for coins." (Source: *Obsolete Paper Money Issued by Banks in the United States, 1782-1866* by Q. David Bowers, p. 339)

20. Run on the Trust Company of America during the Panic of 1907. The old Drexel building, pre-1913 home of the Morgan bank, is at the right. The successor building dropped the name out front.



46. The 1929 crash at Broad and Wall streets. This photo reveals several flappers and a surprising number of young people.

A homeless tent city sits in front of the Sacramento skyline in Sacramento, California on March 4, 2009. The tent city is seeing an increase in population as the economy worsens and more people are becoming unemployed and having their homes slip into foreclosure. (Getty Images)

Unemployed Americans wait in line for assistance during a recession. Subprime mortgage and other lending schemes promoted by various banking firms in New York City sparked an economic recession in America in late 2008. Lehman Brothers, an international banking firm in New York City, filed for bankruptcy on September 15, 2008.

American National Debt since 1791

January 1, 1791 - $75,463,476.52	July 1, 1865 - $2,680,647,869.74	June 30, 1939 - $40,439,532,411.11
January 1, 1792 - $77,227,924.66	July 1, 1866 - $2,773,236,173.69	June 29, 1940 - $42,967,531,037.68
January 1, 1793 - $80,358,634.04	July 1, 1867 - $2,678,126,103.87	June 30, 1941 - $48,961,443,535.71
January 1, 1794 - $78,427,404.77	July 1, 1868 - $2,611,687,851.19	June 30, 1942 - $72,422,445,116.22
January 1, 1795 - $80,747,587.39	July 1, 1869 - $2,588,452,213.94	June 30, 1943 - $136,696,090,329.90
January 1, 1796 - $83,762,172.07	July 1, 1870 - $2,480,672,427.81	June 30, 1944 - $201,003,387,221.13
January 1, 1797 - $82,064,479.33	July 1, 1871 - $2,353,211,332.32	June 30, 1945 - $258,682,187,409.93
January 1, 1798 - $79,228,529.12	July 1, 1872 - $2,253,251,328.78	June 28, 1946 - $269,422,099,173.26
January 1, 1799 - $78,408,669.77	July 1, 1873 - $2,234,482,993.20	June 30, 1947 - $258,286,383,108.67
January 1, 1800 - $82,976,294.35	July 1, 1874 - $2,251,690,468.43	June 30, 1948 - $252,292,246,512.99
January 1, 1801 - $83,038,050.80	July 1, 1875 - $2,232,284,531.95	June 30, 1949 - $252,770,359,860.33
January 1, 1802 - $80,712,632.25	July 1, 1876 - $2,180,395,067.15	June 30, 1950 - $257,357,352,351.04
January 1, 1803 - $77,054,686.40	July 1, 1877 - $2,205,301,392.10	June 29, 1951 - $255,221,976,814.93
January 1, 1804 - $86,427,120.88	July 1, 1878 - $2,256,205,892.53	June 30, 1952 - $259,105,178,785.43
January 1, 1805 - $82,312,150.50	July 1, 1879 - $2,349,567,482.04	June 30, 1953 - $266,071,061,638.57
January 1, 1806 - $75,723,270.66	July 1, 1880 - $2,120,415,370.63	June 30, 1954 - $271,259,599,108.46
January 1, 1807 - $69,218,398.64	July 1, 1881 - $2,069,013,569.58	June 30, 1955 - $274,374,222,802.62
January 1, 1808 - $65,196,317.97	July 1, 1882 - $1,918,312,994.03	June 30, 1956 - $272,750,813,649.32
January 1, 1809 - $57,023,192.09	July 1, 1883 - $1,884,171,728.07	June 30, 1957 - $270,527,171,896.43
January 1, 1810 - $53,173,217.52	July 1, 1884 - $1,830,528,923.57	June 30, 1958 - $276,343,217,745.81
January 1, 1811 - $48,005,587.76	July 1, 1885 - $1,863,964,873.14	June 30, 1959 - $284,705,907,078.22
January 1, 1812 - $45,209,737.90	July 1, 1886 - $1,775,063,013.78	June 30, 1960 - $286,330,760,848.37
January 1, 1813 - $55,962,827.57	July 1, 1887 - $1,657,602,592.63	June 30, 1961 - $288,970,938,610.05
January 1, 1814 - $81,487,846.24	July 1, 1888 - $1,692,858,984.58	June 30, 1962 - $298,200,822,720.87
January 1, 1815 - $99,833,660.15	July 1, 1889 - $1,619,052,922.23	June 30, 1963 - $305,859,632,996.41
January 1, 1816 - $127,334,933.74	July 1, 1890 - $1,552,140,204.73	June 30, 1964 - $311,712,899,257.30
January 1, 1817 - $123,491,965.16	July 1, 1891 - $1,545,996,591.61	June 30, 1965 - $317,273,898,983.64
January 1, 1818 - $103,466,633.83	July 1, 1892 - $1,588,464,144.63	June 30, 1966 - $319,907,087,795.48
January 1, 1819 - $95,529,648.28	July 1, 1893 - $1,545,985,686.13	June 30, 1967 - $326,220,937,794.54
January 1, 1820 - $91,015,566.15	July 1, 1894 - $1,632,253,636.68	June 30, 1968 - $347,578,406,425.88
January 1, 1821 - $89,987,427.66	July 1, 1895 - $1,676,120,983.25	June 30, 1969 - $353,720,253,841.41
January 1, 1822 - $93,546,676.98	July 1, 1896 - $1,769,840,323.40	June 30, 1970 - $370,918,706,949.93
January 1, 1823 - $90,875,877.28	July 1, 1897 - $1,817,672,665.90	June 30, 1971 - $398,129,744,455.54
January 1, 1824 - $90,269,777.77	July 1, 1898 - $1,796,531,995.90	June 30, 1972 - $427,260,460,940.50
January 1, 1825 - $83,788,432.71	July 1, 1899 - $1,991,927,306.92	June 30, 1973 - $458,141,605,312.09
January 1, 1826 - $81,054,059.99	July 1, 1900 - $2,136,961,091.67	June 30, 1974 - $475,059,815,731.55
January 1, 1827 - $73,987,357.20	July 1, 1901 - $2,143,326,933.89	June 30, 1975 - $533,189,000,000.00*
January 1, 1828 - $67,475,043.87	July 1, 1902 - $2,158,610,445.89	June 30, 1976 - $620,433,000,000.00*
January 1, 1829 - $58,421,413.67	July 1, 1903 - $2,202,464,781.89	September 30, 1977 - $698,840,000,000.00*
January 1, 1830 - $48,565,406.50	July 1, 1904 - $2,264,003,585.14	September 30, 1978 - $771,544,000,000.00*
January 1, 1831 - $39,123,191.68	July 1, 1905 - $2,274,615,063.84	September 30, 1979 - $826,519,000,000.00*
January 1, 1832 - $24,322,235.18	July 1, 1906 - $2,337,161,839.04	September 30, 1980 - $907,701,000,000.00*
January 1, 1833 - $ 7,001,698.83	July 1, 1907 - $2,457,188,061.54	September 30, 1981 -$997,855,000,000.00*
January 1, 1834 - $ 4,760,082.08	July 1, 1908 - $2,626,806,271.54	September 30, 1982 - $1,142,034,000,000.00*
January 1, 1835 - $ 33,733.05	July 1, 1909 - $2,639,546,241.04	September 30, 1983 - $1,377,210,000,000.00*
January 1, 1836 - $ 37,513.05	July 1, 1910 - $2,652,665,838.04	September 30, 1984 - $1,572,266,000,000.00*
January 1, 1837 - $ 336,957.83	July 1, 1911 - $2,765,600,606.69	September 30, 1985 - $1,823,103,000,000.00*
January 1, 1838 - $ 3,308,124.07	July 1, 1912 - $2,868,373,874.16	September 30, 1986 - $2,125,302,616,658.42
January 1, 1839 - $10,434,221.14	July 1, 1913 - $2,916,204,913.66	September 30, 1987 -$2,350,276,890,953.00
January 1, 1840 - $ 3,573,343.82	July 1, 1914 - $2,912,499,269.16	September 30, 1988 - $2,602,337,712,041.16
January 1, 1841 - $ 5,250,875.54	July 1, 1915 - $3,058,136,873.16	September 29, 1989 - $2,857,430,960,187.32
January 1, 1842 - $13,594,480.73	July 1, 1916 - $3,609,244,262.16	September 28, 1990 - $3,233,313,451,777.25
January 1, 1843 - $20,201,226.27	July 1, 1917 - $5,717,770,279.52	September 30, 1991 - $3,665,303,351,697.03
July 1, 1843 - $32,742,922.00	July 1, 1918 - $14,592,161,414.00	September 30, 1992 - $4,064,620,655,521.66
July 1, 1844 - $23,461,652.50	July 1, 1919 - $27,390,970,113.12	September 30, 1993 - $4,411,488,883,139.38
July 1, 1845 - $15,925,303.01	July 1, 1920 - $25,952,456,406.16	September 30, 1994 - $4,692,749,910,013.32
July 1, 1846 - $15,550,202.97	June 30, 1921 - $23,977,450,552.54	September 29, 1995 - $4,973,982,900,709.39
July 1, 1847 - $38,826,534.77	June 30, 1922 - $22,963,381,708.31	September 30, 1996 - $5,224,810,939,135.73
July 1, 1848 - $47,044,862.23	June 30, 1923 - $22,349,707,365.36	September 30, 1997 - $5,413,146,011,397.34
July 1, 1849 - $ 63,061,858.69	June 30, 1924 - $21,250,812,989.49	September 30, 1998 - $5,526,193,008,897.62
July 1, 1850 - $ 63,452,773.55	June 30, 1925 - $20,516,193,887.90	September 30, 1999 - $5,656,270,901,615.43
July 1, 1851 - $ 68,304,796.02	June 30, 1926 - $19,643,216,315.19	September 30, 2000 - $5,674,178,209,886.86
July 1, 1852 - $ 66,199,341.71	June 30, 1927 - $18,511,906,931.85	September 30, 2001 - $5,807,463,412,200.06
July 1, 1853 - $ 59,803,117.70	June 30, 1928 - $17,604,293,201.43	September 30, 2002 - $6,228,235,965,597.16
July 1, 1854 - $ 42,242,222.42	June 29, 1929 - $16,931,088,484.10	September 30, 2003 - $6,783,231,062,743.62
July 1, 1855 - $ 35,586,956.56	June 30, 1930 - $16,185,309,831.43	September 30, 2004 - $7,379,052,696,330.32
July 1, 1856 - $ 31,972,537.90	June 30, 1931 - $16,801,281,491.71	September 30, 2005 - $7,932,709,661,723.50
July 1, 1857 - $ 28,699,831.85	June 30, 1932 - $19,487,002,444.13	September 30, 2006 - $8,506,973,899,215.23
July 1, 1858 - $ 44,911,881.03	June 30, 1933 - $22,538,672,560.15	September 30, 2007 - $9,007,653,372,262.48
July 1, 1859 - $ 58,496,837.88	June 30, 1934 - $27,053,141,414.48	September 30, 2008 - $10,024,724,896,912.49
July 1, 1860 - $ 64,842,287.88	June 29, 1935 - $28,700,892,624.53	September 30, 2009 - $11,909,829,003,511.75
July 1, 1861 - $ 90,580,873.72	June 30, 1936 - $33,778,543,493.73	September 30, 2010 - $13,561,623,030,891.79
July 1, 1862 - $ 524,176,412.13	June 30, 1937 - $36,424,613,732.29	September 30, 2011 - $14,790,340,328,557.15
July 1, 1863 - $1,119,772,138.63	June 30, 1938 - $37,164,740,315.45	September 30, 2012 - $16,066,241,407,385.89
July 1, 1864 - $1,815,784,370.57		

International Bankers & Great Depression: Organized Crime?

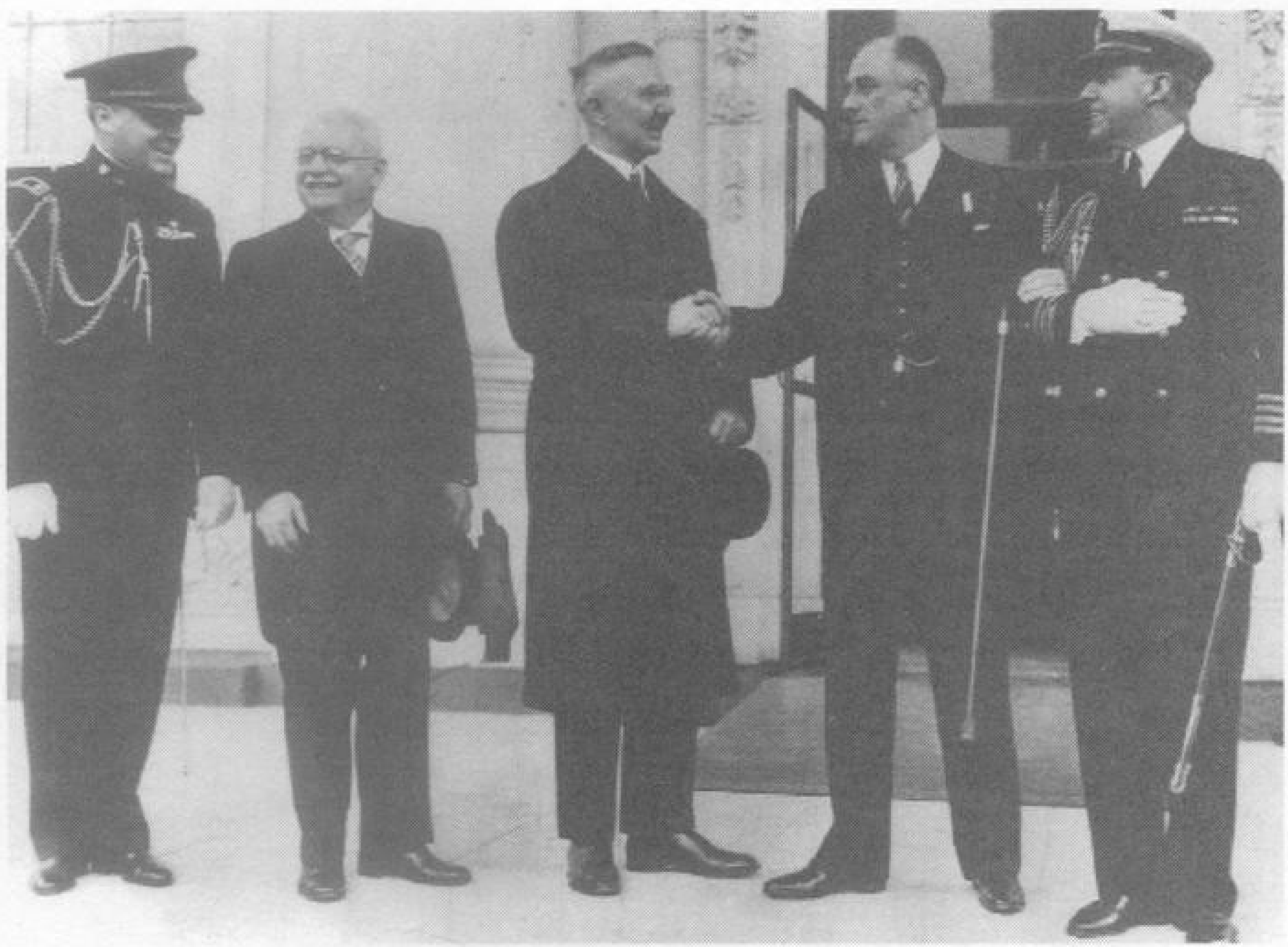
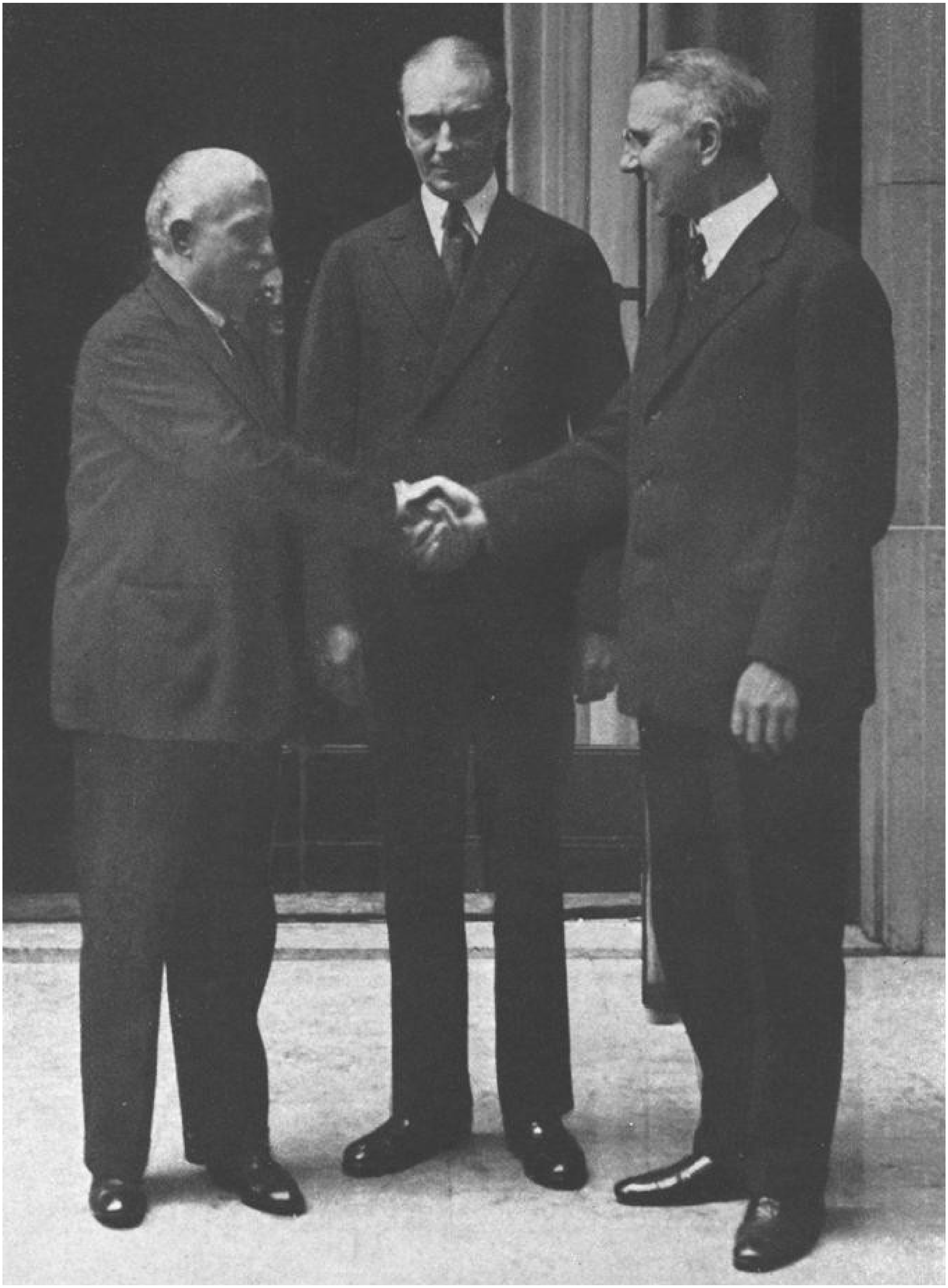


Fig 2—Schacht with Franklin Roosevelt

One of Schacht's major accomplishments was to persuade Roosevelt to permit a moratorium on the reparation payments which Germany was supposed to pay after World War I. These were a crippling burden and Schacht's success in easing them was very important to Germany.

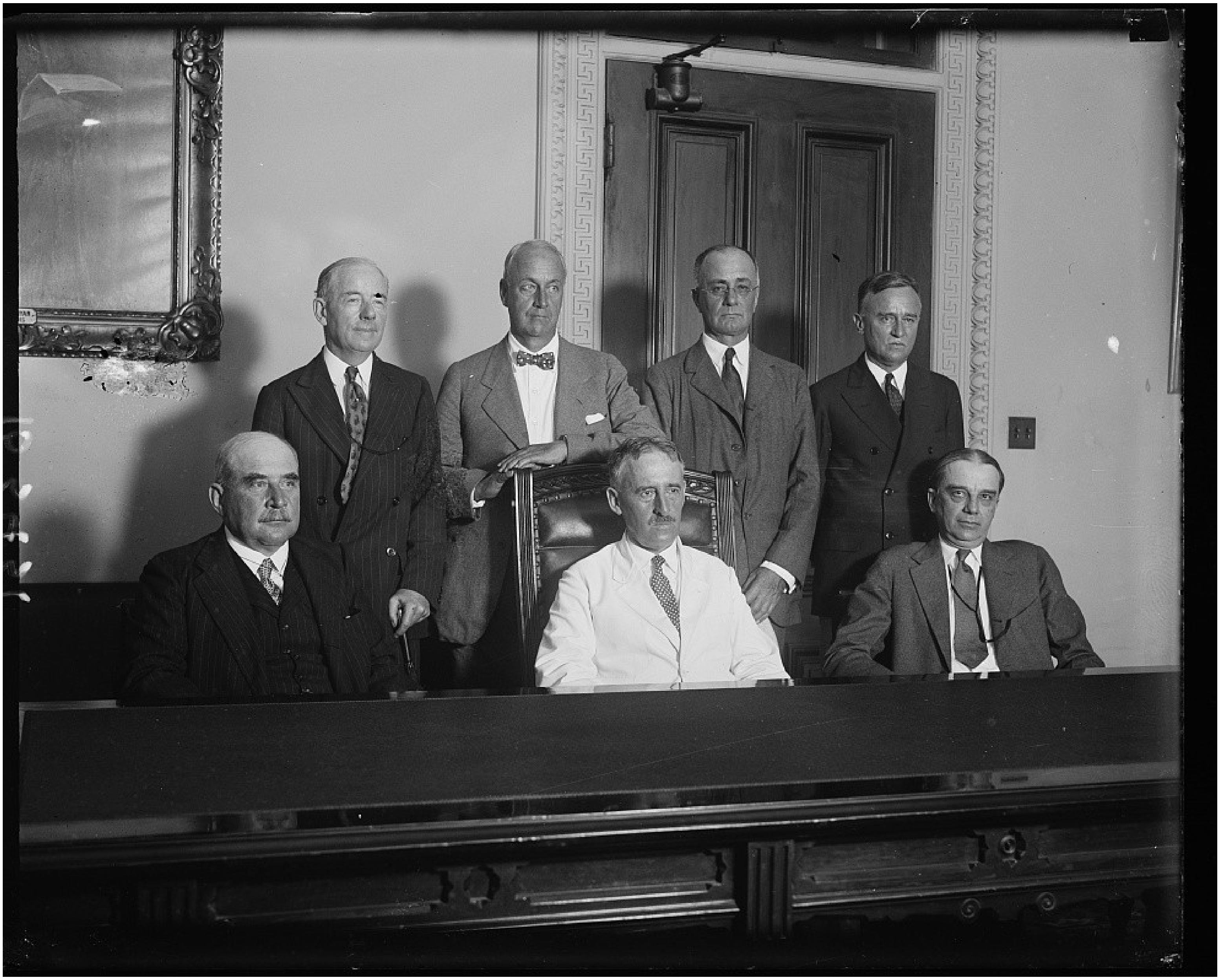
President Franklin D. Roosevelt shakes hands with Hjalmar Schacht, the President of the Reichsbank. The Reichsbank was the central bank of Germany under the Weimar Republic and the Third Reich. Hjalmar Schacht was tried in Nuremberg as a Nazi war criminal shortly after World War II.



Owen D. Young watches Emile Moreau (left),Governor of the Bank of France, shake hands with Hjalmar Schacht (right), President of the Reichsbank (Germany's central bank), in 1929 after they accepted the terms of the Young Plan. Hjalmar Schacht was tried in Nuremberg, Germany for war crimes and collaboration with the Nazis after World War II. Owen D. Young was the Chairman of the board of General Electric Company (1922-1939, 1942-1944), **Deputy Chairman of the Federal Reserve Bank of New York (1927-1937), Chairman of the Federal Reserve Bank of New York (1938-1940)**, Director of the Council on Foreign Relations (1927-1940), and Trustee of the Rockefeller Foundation (1928-1939). (Photo: *Owen D. Young: A New Type of Industrial Leader* by Ida M. Tarbell)

American businessman Owen D. Young (center), the chairman of the Federal Reserve Bank of New York, watches Hjalmar Schacht (foreground right, President of the Reichsbank) sign the Young Plan in the Hotel George V in Paris, France on June 7, 1929.
(Photo: http://germanhistorydocs.ghi-dc.org/sub_imglist.cfm?startrow=11&sub_id=357&section_id=12)

Owen D. Young, American reparation expert and Deputy Chairman of the Federal Reserve Bank of New York, shakes hands with Dr. Hjalmar Schacht, German delegate to the Reparations Conference and President of the Reichsbank (Germany's central bank), at a train station in Paris, France on June 17, 1929, from the window of a train which carried him to the S.S. Quitania, which carried him to the United States.
(Photo: © Bettmann/CORBIS)



Members of the American Reparations Commission, who recently returned to America after negotiating a settlement with the European nations, were in conference with U.S. Secretary of State Henry L. Stimson on June 25, 1929. In the front row, seated, left to right: John Pierpont Morgan Jr. (Partner of J.P. Morgan & Co. bank); U.S. Secretary of State Henry L. Stimson; and Owen D. Young (chairman of the Federal Reserve Bank of New York), chairman. In the back row, left to right: Thomas W. Lamont (Partner of J.P. Morgan & Co. bank); Thomas Nelson Perkins; Under Secretary of State Joseph P. Cotton; and Assistant Secretary of State William R. Castle. Stimson, Young, Lamont, Perkins, and Cotton were members of the Council on Foreign Relations. (Photo: Harris & Ewing Collection; Library of Congress)

"**It is to be regretted that the rich and powerful too often bend the acts of government to their selfish purposes.** Distinctions in society will always exist under every just government. Equality of talents, of education, or of wealth can not be produced by human institutions. In the full enjoyment of the gifts of Heaven and the fruits of superior industry, economy, and virtue, every man is equally entitled to protection by law; **but when the laws undertake to add to these natural and just advantages artificial distinctions, to grant titles, gratuities, and exclusive privileges, to make the rich richer and the potent more powerful, the humble members of society—the farmers, mechanics, and laborers—who have neither the time nor the means of securing like favors to themselves, have a right to complain of the injustice of their Government. There are no necessary evils in government. Its evils exist only in its abuses.** If it would confine itself to equal protection, and, as Heaven does its rains, shower its favors alike on the high and the low, the rich and the poor, it would be an unqualified blessing."
– Andrew Jackson, President of the United States, in his Veto Message regarding the Second Bank of the U.S. on July 10, 1832

A group of German workers salute Nazi Germany's dictator Adolf Hitler (center) and Reichsbank president Hjalmar Schacht (right) during a parade in Germany in 1935. (Photo: Time Life)

Hjalmar Schacht (left), President of the Reichsbank, shakes hands with Montagu Norman (right), the Governor of the Bank of England, at Liverpool Street Station in London in December 1938. Hjalmar Schacht was a Nazi war criminal.

The scene on Wall Street when the New York Stock Exchange crashed in October 1929. Previous economic crises and depressions in America occurred in 1819, 1837, 1857, 1873, 1884, 1893, and 1907. (Bettmann/CORBIS)

INTERNATIONAL: D'Abernon On Gold
Monday, January 5, 1931
Time Magazine

Gold may well be Question of the Year in 1931. What heads of central banks all over the world are going to do about gold is just now their closest secret, the subject of earnest, secret conferences (TIME, Dec. 1 & Dec. 15).

Last week England's noted elder economist Viscount d'Abernon of Stoke d'Abernon, who was her Ambassador to Germany directly after the War, spoke up, as more active financiers cannot very well do. Said he: **"This depression is the stupidest and most gratuitous in history!"**

Source: Time Magazine

Panicked stock traders crowd outside the New York Stock Exchange in New York City on the day of the market crash on October 24, 1929. (Bettmann/CORBIS)

Crowd at New York's American Union Bank during a bank run early in the Great Depression. The Bank opened in 1917 and went out of business on June 30, 1931. Congress passed the Banking Act of 1933, also known as the Glass-Steagall Act, which called for the separation of commercial and investment banking; required the use of government securities as collateral for Federal Reserve notes; and established the Federal Deposit Insurance Corporation (FDIC). Congress repealed the Glass-Steagall Act in 1999. (Photo: Social Security Administration)


BROOKLYN DAILY EAGLE
And Complete Long Island News
LATE NEWS
NEW YORK CITY, THURSDAY, OCTOBER 24, 1929.
32 PAGES

WALL ST. IN PANIC AS STOCKS CRASH

Attempt Made to Kill Italy's Crown Prince

STOCKS CRASH IN RUSH TO SELL; BILLIONS LOST

ASSASSIN CAUGHT IN BRUSSELS MOB; PRINCE UNHURT

Hollywood Fire Destroys Films Worth Millions

FEAR 52 PERISHED IN LAKE MICHIGAN; FERRY IS MISSING

PIECE OF PLANE LIKE OITEMAN'S IS FOUND AT SEA

High Duty Group Gave $700,000 to Coolidge Drive

CARNEGIE CHARGE OF PAID ATHLETES ROUSES COLLEGES

HOOVER'S TRAIN HALTED BY AUTO PLACED ON RAILS

WARDER SOUGHT TO KEEP SEA TRIP SECRET, AID SAYS

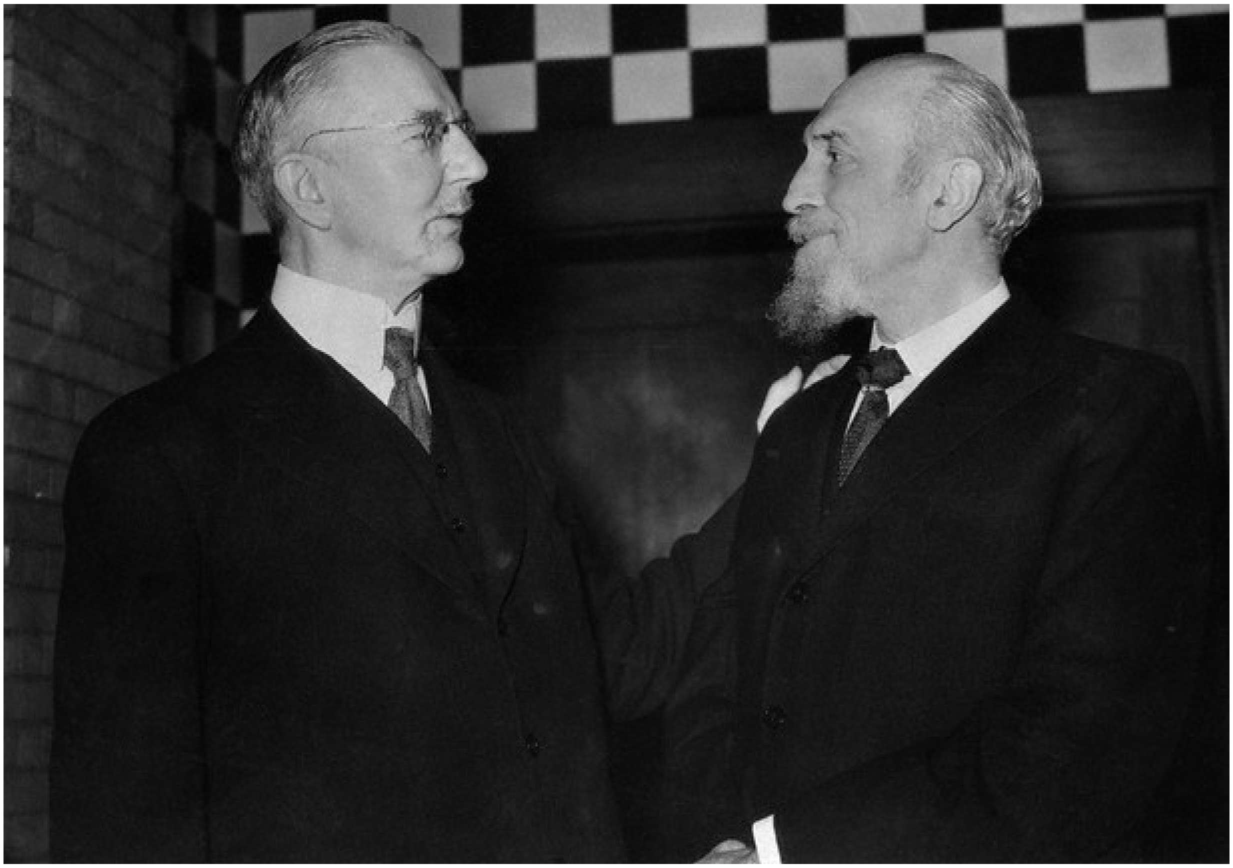
SOMERS NAMED AS HEAD OF NEW EXCHANGE BANK

October 24 1929: The front page of the Brooklyn Daily Eagle, published on the day of the initial Wall Street Crash, known as Black Thursday. (Hulton/Getty Images)

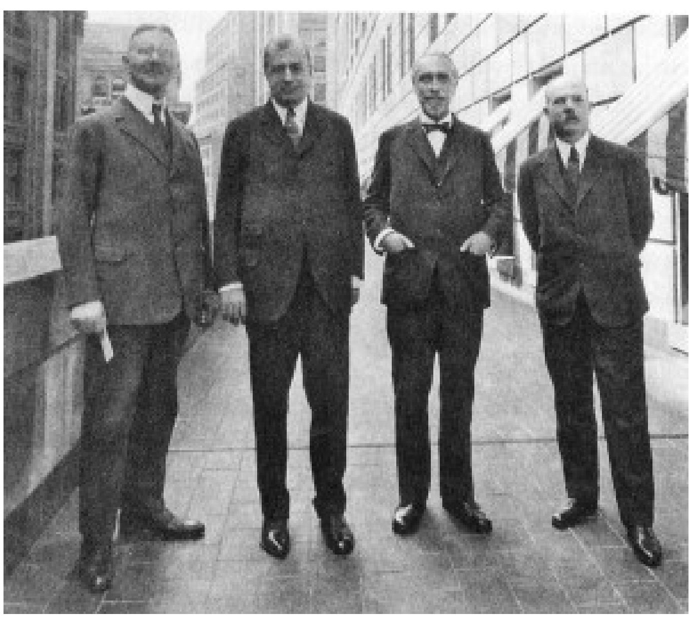
A speculator tries to sell his car after losing all his money in the market. (Bettmann/Corbis)

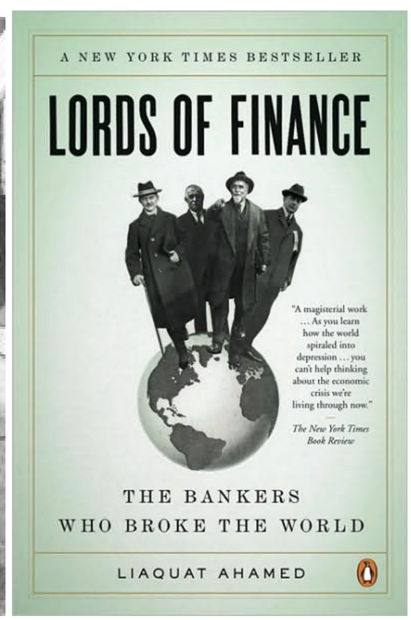
November 16 1930, Chicago, United States of America: Notorious gangster Al Capone attempts to help unemployed men with his soup kitchen, Big Al's Kitchen for the Needy. (Bettmann/CORBIS)


Unemployed American men eating in a soup kitchen circa 1930. (Bettmann/CORBIS)



Hjalmar Schacht (left), President of The Reichsbank, confers with Montagu Norman, Governor of the Bank of England, during the German financier's visit to London in February 1938 to expound his Scheme for the evacuation of the Jewish population of Germany under a "goods voucher" system. Refugees received by other nations would receive vouchers from the German government representing the value of part of their German possessions. The value of these vouchers would be taken out in German trade. The proposal was turned down. Many commentators called it a "ransom Scheme." (Bettmann/CORBIS)





Central bankers meet in downtown Manhattan, from left to right: Hjalmar Schacht (President of the Reichsbank), Benjamin Strong (President of the Federal Reserve Bank of New York), Montagu Norman (Governor of the Bank of England), and Mr. Rist appear on the rooftop of the Federal Reserve Bank of New York headquarters in New York City in July 1927.

"For many years people believed – even today many continue to do so – that an economic cataclysm of the magnitude of the Great Depression could only have been the result of mysterious and inexorable tectonic forces that governments were somehow powerless to resist. Contemporaries frequently described the Depression as an economic earthquake, blizzard, maelstrom, deluge. All these metaphors suggested a world confronting a natural disaster for which no single individual or group could be blamed. To the contrary…the Great Depression was not some act of God or the result of some deep-rooted contradictions of capitalism but the direct result of a series of misjudgments by economic policy makers, some made back in the 1920s, others after the first crises set in – by any measure the most dramatic sequence of collective blunders ever made by financial officials. Who then was to blame? The first culprits were the politicians who presided over the Paris Peace Conference. They burdened a world economy still trying to recover from the effects of war with a gigantic overhang of international debts. Germany began the 1920s owing some $12 billion in reparations to France and Britain; France owed the United States and Britain $7 billion in war debts, while Britain in turn owed $4 billion to the United States…Dealing with these massive claims consumed the energies of financial statesmen for much of the decade and poisoned international relations. More important, the debts left massive fault lines in the world financial system, which cracked at the first pressure. The second group to blame were the leading central bankers of the era…Montagu Norman, Benjamin Strong, Hjalmar Schacht, and Emile Moreau. Even though they, especially Schacht and Norman, spent much of the decade struggling to mitigate some of the worst political blunders behind reparations and war debts, more than anyone else they were responsible for the second fundamental error of economic policy in the 1920s: the decision to take the world back onto the gold standard. Gold supplies had not kept up with prices; and the distribution of gold bullion after the war was badly skewed, with much of it concentrated in the United States. The result was a dysfunctional gold standard that was unable to operate as smoothly and automatically as before the war. The problem of inadequate gold reserves was compounded when Europe went back to gold at exchange rates that were grossly misaligned, resulting in constant pressure on the Bank of England, the linchpin of the worlds' financial system, and a destructive and petty feud between Britain and France that undermined international cooperation. The quartette of central bankers did in fact succeed in keeping the world economy going but they were only able to do so by holding U.S. interest rates down and by keeping Germany afloat on borrowed money. It was a system that was bound to come to a crashing end. Indeed, it held the seeds of its own destruction. Eventually the policy of keeping U.S. Interest rates low to shore up the international exchanges precipitated a bubble in the U.S. stock market. By 1927, the Fed was thus torn between two conflicting objectives: to keep propping up Europe or to control speculation on Wall Street. It tried to do both and achieved neither. Its attempts to curb speculation were too halfhearted to bring stocks back to earth but powerful enough to cause a collapse in lending to Germany, driving most of central Europe into depression and setting in train deflationary forces throughout the rest of the world. Eventually in the last week of October 1929, the bubble burst, plunging the United States into its own recession. The U.S. stock market bubble thus had a double effect. On the way up, it created a squeeze in international credit that drove Germany and other parts of the world into recession. And on the way down, it shook the U.S. economy. The stresses and strains of trying to keep the limping gold standard going may have made some sort of financial shakeout inevitable. It was, however, not necessary for the crisis to metastasize into a worldwide catastrophe. European central bankers had been dealing with financial crises for more than a century. They had long absorbed the lesson that while most of the time the economy works very well left in the care of the invisible hand , during panics, that hand seems to lose its grip. Markets, particularly financial markets, became unthinkingly fearful. To reestablish sanity and restore some sort of equilibrium in these circumstances required a very visible head to guide the indivisible hand. In a word, it required leadership. After 1929, responsibility for world monetary affairs ended up in the hands of a group of men who understood none of this, whose ideas about the economy were at best outmoded and at worst plain wrong. Strong died in 1928. His successor, George Harrison, tried his best to fill his shoes but did not have the personality or the stature to assume control. Instead, authority at the Fed shifted to a group of inexperienced and ill-informed timeservers, who believed that the economy would automatically return to an even keel, that there was nothing to be done to counteract deflationary forces except wait them out. They failed to fulfill even the most basic central banker's responsibility: to act as lender of last resort and support the banking system at a time of panic. Norman and Schacht both understood that a financial system in freefall requires active central bank intervention. But their two central banks, the Bank of England and the Reichsbank, were both chronically short of gold and had no room for maneuver. As a consequence, for all of Norman's enormous prestige and Schacht's creativity, they were both hamstrung by the dictates of the gold standard sand were forced to remain locked in with the United States, deflating as it did. The only central banker outside the Fed with enough gold to act independently was Moreau at the Banque de France. But having stumbled inadvertently into a position of financial dominance, he seemed more intent on using France's newfound strength for political rather than economic ends. And so what began as modest and corrective recessions in the United States and Germany were transformed by sheer folly and shortsightedness into a worldwide catastrophe."
– *Lords of Finance: The Bankers Who Broke the World* by Liaquat Ahamed, p. 501-503

"By the end of 1930, the Banque de France had begun to understand that this accumulation of gold was harming the rest of the world by starving it of reserves. It was especially damaging because of the idiosyncrasies of the French banking system. In most countries, banks worked to make every dollar of gold support a multiple of that amount in currency and credit. The French banking system, however, was unusually inefficient in putting its bullion to use. As a result, the newly arrived $500 million of gold was translated into less than $250 million in circulating currency. French officials claimed that there was little they could do about this buildup, that the high demand for gold in France was a consequence of the rural character of the country or the innate thriftiness and risk aversion of its citizenry. In fact, it was clear that during 1930, the Banque under Emile Moreau had been very consciously and deliberately offsetting – the technical term was sterilizing – the natural tendency of an influx of gold to expand the currency, lest it lead to inflation. With prices around the world collapsing, this may sound strange, but it was a symptom of how badly scarred he and other French officials had been by the currency crises of 1924 and 1926. **Unknown to most people, much of the gold that had supposedly flown into France was actually sitting in London. Bullion was so heavy – a seventeen-inch cube weighs about a ton – that instead of shipping crates of it across hundreds of miles from one country to another and paying high insurance costs, central banks had taken to "earmarking" the metal, that is, keeping it in the same vault but simply re-registering its ownership. Thus the decline in Britain's gold reserves and their accumulation in France and the United States was accomplished by a group of men descending into the vaults of the Bank of England, loading some bars of bullion onto a low wooden truck with small rubber tires, trundling them thirty feet across the room to the other wall, and offloading them, though not before attaching some white name tags indicating that the gold now belong to the Banque de France or the Federal Reserve Bank. That the world was being subject to a progressively tightening squeeze on credit just because there happened to be too much gold on one side of the vault and not enough on the other provoked Lord d'Abernon, Britain's ambassador to Germany after the war and now an elder statesmen-economist, to exclaim, "This depression is the stupidest and most gratuitous in history."** As the French hoard kept piling up during the summer and fall of 1930 – and with it tensions between Britain and France – the French went through the motions of proposing remedies. The return of French gold policy to the forefront of economic debate was too much for Norman." – *Lords of Finance: The Bankers Who Broke the World* by Liaquat Ahamed, p. 378-379

"Over the previous decade, he [Montagu Norman] and the heads of the three other major central banks had been part of what the newspapers had dubbed "the most exclusive club in the world." Norman, Benjamin Strong of the New York Federal Reserve Bank, Hjalmar Schacht of the Reichsbank, and Emile Moreau of the Banque de France had formed a quartet of central bankers who had taken on the job of reconstructing the global financial machinery after the First World War. But by the middle of 1931, Norman was the only remaining member of the original foursome. Strong had died in 1928 at the age of fifty-five, Moreau had retired in 1930, and Schacht had resigned in a dispute with his own government in 1930 and was flirting with Adolf Hitler and the Nazi Party. And so the mantle of leadership of the financial world had fallen on the shoulders of this colorful but enigmatic Englishman with his "waggish" smile, his theatrical air of mystery, his Van Dyke beard, and his conspiratorial costume: broad-brimmed hat, flowing cape, and sparkling emerald tie pin. For the world's most important central banker to have a nervous breakdown as the global economy sank yet deeper into the second year of an unprecedented depression was truly unfortunate. Production in almost every country had collapsed – in the two worst hit, the United States and Germany, it had fallen 40 percent. Factories throughout the industrial world – from the car plants of Detroit to the steel mills of the Ruhr, from the silk mills of Lyons to the shipyards of Tyneside – were shuttered or working at a fraction of capacity. Faced with shrinking demand, businesses had cut prices by 25 percent in the two years since the slump had begun. Armies of the unemployed now haunted the towns and cities of the industrial nations. In the United States, the world's largest economy, some 8 million men and women, close to 15 percent of the labor force, were out of work. Another 2.5 million men in Britain and 5 million in Germany, the second and third largest economies in the world, had joined the unemployment lines. Of the four great economic powers, only France seemed to have been somewhat protected from the ravages of the storm sweeping the world, but even it was now beginning to slide downward. Gangs of unemployed youths and men with nothing to do loitered aimlessly at street corners, in parks, in bars and cafes. As more and more people were thrown out of work and unable to afford a decent place to live, grim jerry-built shantytowns constructed of packing cases, scrap iron., grease drums, tarpaulins, and even of motor car bodies had sprung up in cities such as New York [City] and Chicago – there was even an encampment in Central Park. Similar makeshift colonies littered the fringes of Berlin, Hamburg, and Dresden. In the United States, millions of vagrants, escaping the blight of inner-city poverty, had taken to the road in search of some kind – any kind – of work. Unemployment led to violence and revolt. In the United States, food riots broke out in Arkansas, Oklahoma, and across the central and southwestern states. In Britain, the miners went out on strike, followed by the cotton mill workers and the weavers. Berlin was almost in a state of civil war. During the elections of September 1930, the Nazis, playing on the fears and frustrations of the unemployed and blaming everyone else – the Allies, the Communists, and the Jews – for the misery of Germany, gained close to 6.5 million votes, increasing their seats in the Reichstag from 12 to 107 and making them the second largest parliamentary party after the Social Democrats. Meanwhile in the streets, Nazi and Communist gangs clashed daily. There were coups in Portugal, Brazil, Argentina, Peru, and Spain."
– *Lords of Finance: The Bankers Who Broke the World* by Liaquat Ahamed, p. 2-4

“The humiliating spectacle of Anglo-Saxon bankers dictating to their politicians infuriated French public opinion. The Parisian paper *Le Petit Bleu* declared that “Europe shall not become a vast field of exploitation with its only government a vast bankers' combine.” Edwin James of the *New York Times* reported that many Frenchmen were convinced that “America's only purpose is to make some more money out of Europe's misfortunes, and that instead of helping France get reparations, the Americans are working on Shylock lines for the preliminary loan.” In the United states, as highly respected a newspaper as the Springfield *Republican* commented, “In the lean years that follow an exhausting war, financers outrank generals…No loan, no Dawes plan. No Dawes plan, no settlement. No settlement, no peace in Europe…” By the beginning of August [1924] the bankers had won. The only concession the French were able to extract was to delay their withdrawal from the Ruhr by a year. Germany was invited to send a delegation to finalize the arrangements. On August 3, the German delegation, led by Chancellor [Wilhelm] Marx and including Gustav Stresemann, now foreign minister; Finance Minister Hans Luther; Secretary of State Schubert; and Schacht, arrived at the London Ritz. The first plenary session took place on August 5 – the first formal meeting between the respective heads of the German and French governments since the Franco-Prussian war of 1870. For the next ten days, as the interminable wrangling began, the conference staggered from one crisis to another, constantly verging on the edge of collapse. The procedure for declaring a default specified that sanctions could be imposed only in the event of a “flagrant” failure on the part of Germany to fulfill its obligations. The Germans demanded a definition of *flagrant*. That bickering consumed a day. The French had agreed to withdraw from the Ruhr after a year. The Germans wanted to know when the year would begin, and further demanded that the evacuation be completed within a years. Finally, on August 14, the definitive terms were submitted to the German delegation, who were granted the night to accept or reject them. The Germans gathered in one of the rooms at the Ritz for an all-night session. Each of them spoke his mind. As dawn arrived, the chancellor went around the room with a last poll. All voted for acceptance, except for Schacht, who said, in his harsh Frisian accent, “We cannot accept the terms – we can never fulfill them.” He insisted that the Dawes Plan's failure to reduce the total level of reparations was its fatal flaw. But it was Stresemann who had the final word. “We must get the French out of the Ruhr. We must free the Rhineland. We must accept.” On the surface, the Dawes Plan appeared to be the turning point for Europe. The wrangling over reparations, which had consumed the energy of officials for the last five years, seemed to be over. In September, the loan that formed the basis of the plan was successfully floated in New York and London. It started a boom in lending to Germany by American banks that was to fuel a recovery in its economy for the next several years and bring stability to the new currency. [Owen D.] Young, the true architect of the [Dawes] plan, had believed that in the climate of bitterness and recrimination prevailing in 1924, Europe would be able to improvise its way toward an eventual solution only by avoiding confronting its problems head-on. The plan had therefore very deliberately swept a whole series of issues under the carpet. The total bill for reparations remained unspecified. As a result, resentment within Germany continued to fester just below the surface. Moreover, the new German prosperity depended on what Keynes described as “a great circular flow of paper” across the Atlantic: “The United States lend money to Germany, Germany transfers its equivalent to the Allies, the Allies pay it back to the United States government. Nothing real passes – no one is a penny the worse. The engravers' dies, the printers' forms are busier. But no one eats less, no one works more.” No one was willing to predict what would happen once the music stopped. Nevertheless, the initial fanfare associated with the plan did catapult Charles Dawes, hitherto a relatively obscure financier, to fame and fortune. In the summer of 1924, Coolidge selected him to be his running mate; Dawes was elected vice president of the United States that autumn. For having bought time for Europe and at least created the illusion that the Continent's battles over money were finally over, he was awarded the 1925 Nobel Prize for peace.”
– *Lords of Finance: The Bankers Who Broke the World* by Liaquat Ahamed, p. 214-216

“To understand the role of central bankers during the Great Depression, it is first necessary to understand what a central bank is and a little about how it operates. Central banks are mysterious institutions, the full details of their inner workings so arcane that very few outsiders, even economists, fully understand them. Boiled down to its essentials, a central bank is a bank that has been granted a monopoly over the issuance of currency. This power gives it the ability to regulate the price of credit — interest rates — and hence to determine how much money flows through the economy. Despite their role as national institutions determining credit policy for their entire countries, in 1914 most central banks were still privately owned. They therefore occupied a strange hybrid zone, accountable primarily to their directors, who were mainly bankers, paying dividends to their shareholders, but given extraordinary powers for entirely nonprofit purposes. Unlike today, however, when central banks are required by law to promote price stability and full employment, in 1914 the single most important, indeed overriding, objective of these institutions was to preserve the value of the currency. At the time, all major currencies were on the gold standard, which tied a currency in value to a very specific quantity of gold. The pound sterling, for example, was defined as equivalent to 113 grains of pure gold, a grain being a unit of weight notionally equal to that of a typical grain taken from the middle of an ear of wheat. Similarly, the dollar was defined as 23.22 grains of gold of similar fineness. Since all currencies were fixed against gold, a corollary was that they were all fixed against one another. Thus there were 113/23.22 or $4.86 dollars to the pound. All paper money was legally obligated to be freely convertible into its gold equivalent, and each of the major central banks stood ready to exchange gold bullion for any amount of their own currencies. Gold had been used as a form of currency for millennia. As of 1913, a little over $3 billion, about a quarter of the currency actually circulating around the world, consisted of gold coins, another 15 percent of silver, and the remaining 60 percent of paper money. Gold coinage, however, was only a part, and not the most important part, of the picture. Most of the monetary gold in the world, almost two-thirds, did not circulate but lay buried deep underground, stacked up in the form of ingots in the vaults of banks. In each country, though every bank held some bullion, the bulk of the nation's gold was concentrated in the vaults of the central bank. This hidden treasure provided the reserves for the banking system, determined the supply of money and credit within the economy, and served as the anchor for the gold standard.
While central banks had been granted the right to issue currency — in effect to print money — in order to ensure that that privilege was not abused, each one of them was required by law to maintain a certain quantity of bullion as backing for its paper money. These regulations varied from country to country. For example, at the Bank of England, the first $75 million equivalent of pounds that it printed were exempt, but any currency in excess of this amount had to be fully matched by gold. The Federal Reserve (the Fed), on the other hand, was required to have 40 percent of all the currency it issued on hand in gold — with no exemption floor. But varied as these regulations were, their ultimate effect was to tie the amount of each currency automatically and almost mechanically to its central banks' gold reserves. In order to control the flow of currency into the economy, the central bank varied interest rates. It was like turning the dials up or down a notch on a giant monetary thermostat. When gold accumulated in its vaults, it would reduce the cost of credit, encouraging consumers and businesses to borrow and thus pump more money into the system. By contrast, when gold was scarce, interest rates were raised, consumers and businesses cut back, and the amount of currency in circulation contracted.”
– *Lords of Finance: The Bankers Who Broke the World* by Liaquat Ahamed, p. 11-12

Left: Lord D'Abernon, British Ambassador to Germany (1920-1925)
Right: Wilhelm Marx (1863-1946), Chancellor of Germany (1923-1925, 1926-1928) who agreed to the Dawes Plan in August 1924

“Because the value of a currency was tied, by law, to a specific quantity of gold and because the amount of currency that could be issued was tied to the quantity of gold reserves, governments had to live within their means, and when strapped for cash, could not manipulate the value of the currency. Inflation therefore remained low. Joining the gold standard became a “badge of honor,” a signal that each subscribing government had pledged itself to a stable currency and orthodox financial policies. By 1914, fifty-nine countries had bound their currencies to gold. Few people realized how fragile a system this was, built as it was on so narrow a base. The totality of gold ever mined in the whole world since the dawn of time was barely enough to fill a modest two-story town house. Moreover, new supplies were neither stable nor predictable, coming as they did in fits and starts and only by sheer coincidence arriving in sufficient quantities to meet the needs of the world economy. As a result, during periods when new gold finds were lean, such as between the California and Australian gold rushes of the 1850s and the discoveries in South Africa in the 1890s, prices of commodities fell across the world. The gold standard was not without its critics. Many were simply cranks. Others, however, believed that allowing the growth of credit to be restricted by the amount of gold, especially during periods of falling prices, hurt producers and debtors — especially farmers, who were both. The most famous spokesman for looser money and easier credit was Williams Jennings Bryan, the populist congressman from the farm state of Nebraska. He campaigned tirelessly to break the privileged status of gold and to expand the base upon which credit was created by including silver as a reserve metal. At the Democratic convention of 1896 he made one of the great speeches of American history — a wonderfully overripe flight of rhetoric delivered in that deep commanding voice of his — in which, addressing Eastern bankers, he declared, “You came to tell us that the great cities are in favor of the gold standard; we reply that the great cities rest upon our broad and fertile plains. Burn down your cities and leave our farms, and your cities will spring up again as if by magic. But destroy our farms and the grass will grow in the city. . . . You shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold.” It was a message whose time had come and gone. Ten years before he delivered that speech, two gold prospectors in South Africa, while out for a Sunday walk on a farm in the Witwatersrand, stumbled across a rocky formation that they recognized as gold-bearing reef. It proved to be an outcrop of the largest goldfield in the world. By the time of Bryan's speech, gold production had jumped 50 percent, South Africa had overtaken the United States as the world's largest producer, and the gold drought was over. Prices for all goods, including agricultural commodities, once again began to rise. Bryan won the Democratic nomination then and twice more, in 1900 and 1908, but he was never elected president. Though prices rose and fell in great cycles under the gold standard due to ebbs and flows in the supply of the precious metal, the slope of these curves was gentle and at the end of the day prices returned to where they began. While it may have succeeded in controlling inflation, the gold standard was incapable of preventing the sort of financial booms and busts that were, and continue to be, such a feature of the economic landscape. These bubbles and crises seem to be deep-rooted in human nature and inherent to the capitalist system. By one count there have been sixty different crises since the early seventeenth century — the first documented bank panic can, however, be dated to A.D. 33 when the Emperor Tiberius had to inject one million gold pieces of public money into the Roman financial system to keep it from collapsing. Each of these episodes differed in detail. Some originated in the stock market, some in the credit market, some in the foreign exchange market, occasionally even in the world of commodities. Sometimes they affected a single country, sometimes a group of countries, very occasionally the whole world. All, however, shared a common pattern: an eerily similar cycle from greed to fear. Financial crises would generally begin innocently enough with a surge of healthy optimism among investors. Over time, reinforced by cavalier attitudes to risk among bankers, this optimism would transform itself into overconfidence, occasionally even into a mania. The accompanying boom would go on for much longer than anyone expected. Then would come a sudden shock — a bankruptcy, a surprisingly large loss, a financial scandal involving fraud. Whatever the event, it would provoke a sudden and dramatic shift in sentiment. Panic would ensue. As investors were forced to liquidate into a falling market, losses would mount, banks would cut back their loans, and frightened depositors would start pulling their money out of banks. If all that happened during these periods of so-called distress was that foolish investors and lenders lost money, no one else would have cared. But a problem in one bank raised fears of problems at other banks. And because financial institutions were so interconnected, borrowing large amounts of money from one another even in the nineteenth century, difficulties in one area would transmit themselves through the entire system. It was precisely because crises had a way of spreading, threatening to undermine the integrity of the whole system, that central banks became involved. In addition to keeping their hands on the levers of the gold standard, they therefore acquired a second role — that of forestalling bank panics and other financial crises.
The central banks had powerful tools to deal with these outbursts — specifically their authority to print currency and their ability to marshal their large concentrated holdings of gold. But for all of this armory of instruments, ultimately the goal of a central bank in a financial crisis was both very elusive — to reestablish trust in banks.”
– *Lords of Finance: The Bankers Who Broke the World* by Liaquat Ahamed, p. 13-15

"In 1931, Hjalmar Schacht had been interviewed by the American journalist Dorothy Thompson. "If Hitler comes to power, the Nazis can't run the country financially, economically. Who will run it?" she asked. "I will," replied Schacht. "The Nazis cannot rule, but I can and will rule through them." It had become clear to him even then that it was only a matter of time before Hitler would become chancellor. Schacht would later claim that he never allowed himself to fall under Hitler's spell and that because Hitler needed him, he was able to maintain a certain degree of independence. This is not apparent in a creepy letter he wrote to Hitler after the August elections, congratulating him on his victory and regretting that he was not already chancellor: "Your movement is carried internally by so strong a truth and necessity that victory in one form or another cannot elude you for long. During the time of the rise of your movement you did not let yourself be led astray by false gods…If you remain the man that you are the success cannot elude you for long." But the main purpose of the letter was to urge Hitler to avoid becoming entangled in economic ideology – for Schacht realized that if he wanted to run Nazi economic policy, he would have to counteract some of the anticapitalist sloganeering of the party's left. At this stage he believed that its virulently anti-Semitic ragings were restricted to a lunatic fringe. He ended by saluting Hitler "with a vigorous Heil." Over the next few months, as the Nazis maneuvered to undermine successive governments in the Reichstag, Schacht became a prominent supporter of the movement and a major fund-raiser for the party. In November, he was one off twenty-tour industrialists, including the steel magnate Fritz Thyssen and the arms manufacturer Gustav Krupp, who signed a public letter urging Von Hindenburg to appoint Hitler chancellor. In an interview carried in newspapers around the world, Schacht declared that Hitler was "the only man fit for the Chancellorship." Finally, in January 1933, the president bowed to necessity and appointed the "Bohemian corporal" as chancellor. Two months later, on March 16, 1933, Schacht was back at the Reichsbank, after a three-year hiatus. Hitler, who showed little interest in economics, had two overriding objectives – to combat unemployment and to find the money to rearm. The details of how to achieve these goals he left to Schacht, who in those early years was given almost complete control over economic policy – in addition to being president of the Reichsbank, he became minister of the economy in August 1934. Hitler would later confess that he thought Schacht "a man of quite astonishing ability…unsurpassed in the art of getting the better of the other party. But it was just his consummate skill in swindling other people which made him indispensable at the time." Displaying the inventive genius that distinguished him as the most creative central banker of his era, immediately upon taking office, Schacht threw the whole baggage of orthodox economics overboard. He embarked on a massive program of public works financed by borrowing from the central bank and printing money. It was a remarkable experiment in what would come to be known as Keynesian economics even before Maynard Keynes had fully elaborated his ideas. Over the next few years, as the German economy experienced an enormous injection of purchasing power, it underwent a remarkable rebound. Unemployment fell from 6 million at the end of 1932 to 1.5 million four years later. Industrial production doubled over the same period. Schacht also renegotiated the terms of Germany's massive foreign debts, ruthlessly playing off its creditors against one other, particularly the British and the Americans."
– *Lords of Finance: The Bankers Who Broke the World* by Liaquat Ahamed, p. 480-481

"One day into office, the very first action that Roosevelt took was to close every bank in the country. Invoking an obscure provision of the 1917 Trading with the Enemy Act, designed to prevent gold shipments to hostile powers, he imposed a bank holiday until Thursday, March 9. Simultaneously, he suspended the export or private hoarding of all gold in the United States. To the surprise of many, Americans adapted to life without banks remarkably well – the initial reaction was not chaos but cooperation. Storekeepers liberally extended credit, while doctors, lawyers, and pharmacists continued to provide services in return for personal IOUs. Harvard University allowed its students to obtain meals on credit…Even taxi dancers at Manhattan's Roseland dance hall on Broadway agreed to take IOUs for the 11 cents that they charged per dance – provided their customers could produce bankbooks showing evidence of funds. More than a hundred cities and towns, including Atlanta, Richmond, Knoxville, Nashville, and Philadelphia, issued their own scrip. The Dow Chemical Company coined magnesium into alternative coins. That prominent undergraduate newspaper, the Daily Princetonian rose to the occasion by assuming the role of central bank of Princeton and issuing $500 of its own currency, in denominations of 25 cents, which local merchants agreed to accept – a reflection of how adaptable and elastic the notion of money can be. Other places resorted to barter. In Detroit, the Colonial Department Store agreed to accept farm produce in exchange for goods – a dress went for three barrels of Saginaw Bay herring, three pairs of shoes for a 500-pound sow, and other merchandise went for fifty crates of eggs or 180 pounds of honey. In Manhattan, the promoters of the Golden Globe amateur boxing tournament announced that fans would be admitted in return for anything assessed to be worth 50 cents – that night the box office took in hats, shoes, cigars, combs, soap, chisels, kettles, sacks of potatoes, and foot balm. There were, of course, some disruptions. In Detroit, now in its fourth week without banks, merchants stopped extending credit, food disappeared from the shelves, and the City of Detroit defaulted on its bonds…Tourists and traveling salesmen around the country found themselves stranded. In Florida, the American Express office agreed to cash checks up to a limit of $50 and was besieged by five thousand tourists. The first official task for the new secretary of state, Cordell Hull, was to placate the diplomatic corps in Washington, who argued that their money was entitled to immunity from sequestration and should be immediately released…The biggest problem was not cash but change. Nickels for use on the subway and on trolley and bus lines were so scarce that an officer of the Irving Trust Company declared that a "nickel famine" was in effect…On Sunday, March 5, the day after the inauguration, William Woodin, the new secretary of the treasury, began organizing a team of experts to put together a bank rescue package."
– *Lords of Finance: The Bankers Who Broke the World* by Liaquat Ahamed, p. 451-453

International Bankers & Government Officials

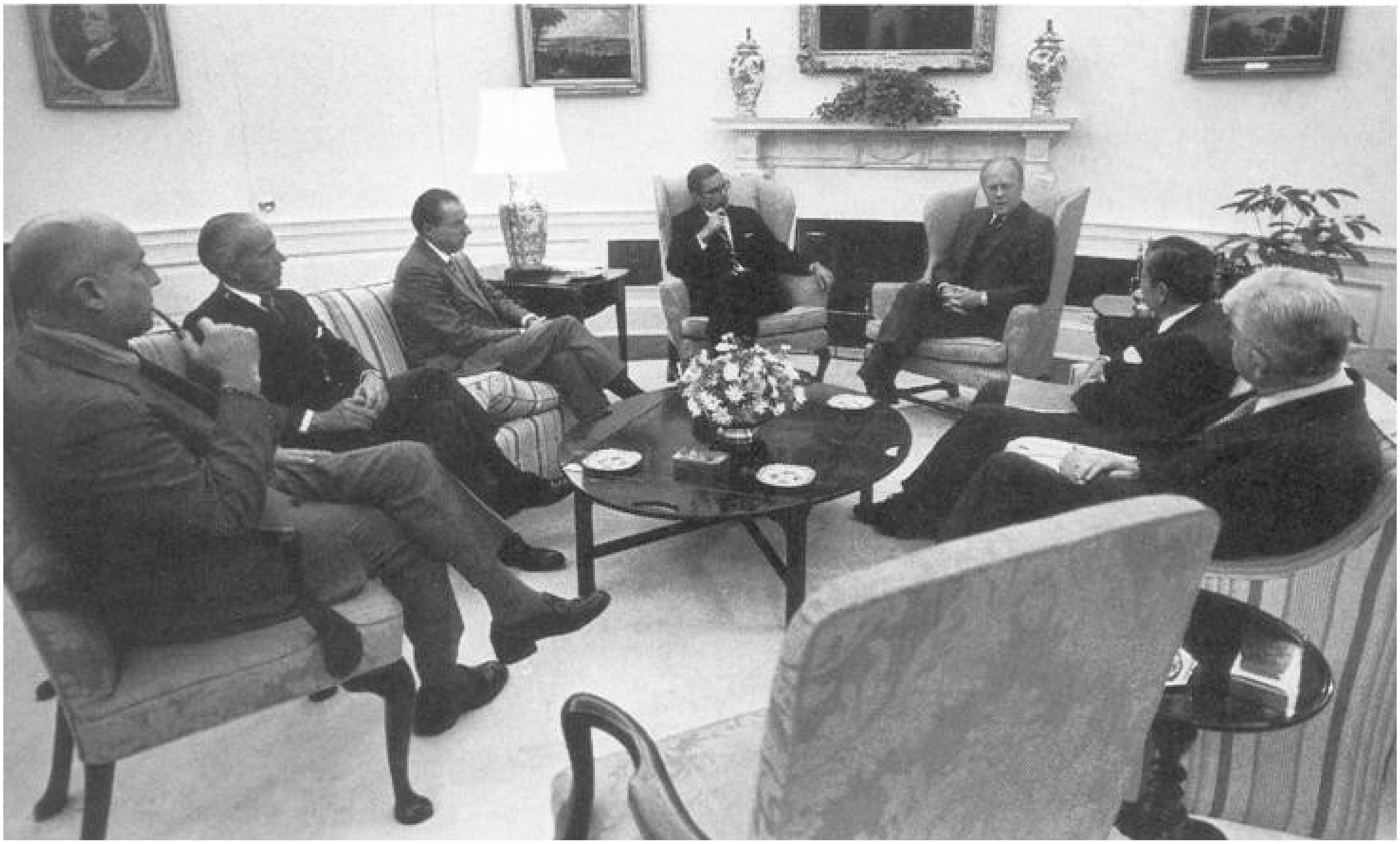
Hjalmar Schacht, the President of the Reichsbank (Germany's central bank), visits President Franklin D. Roosevelt at the White House in Washington, D.C., U.S.A. on May 6, 1933. Photo shows, left to right: Colonel James A. Uliu, Military Aide to the White House; Hans Luther, Ambassador from Germany; Hjalmar Schacht; President Roosevelt; and Captain Walter Vernon, White House Naval Aide. (Bettmann/CORBIS)

Left photo: Hjalmar Schacht, the President of the Reichsbank, appears with Nazi Germany's dictator Adolf Hitler.
Right photo: Israel's Finance Minister Benjamin Netanyahu (right) watches Israel's Prime Minister Ariel Sharon (left) greet Stanley Fischer, the new Governor of the Bank of Israel.

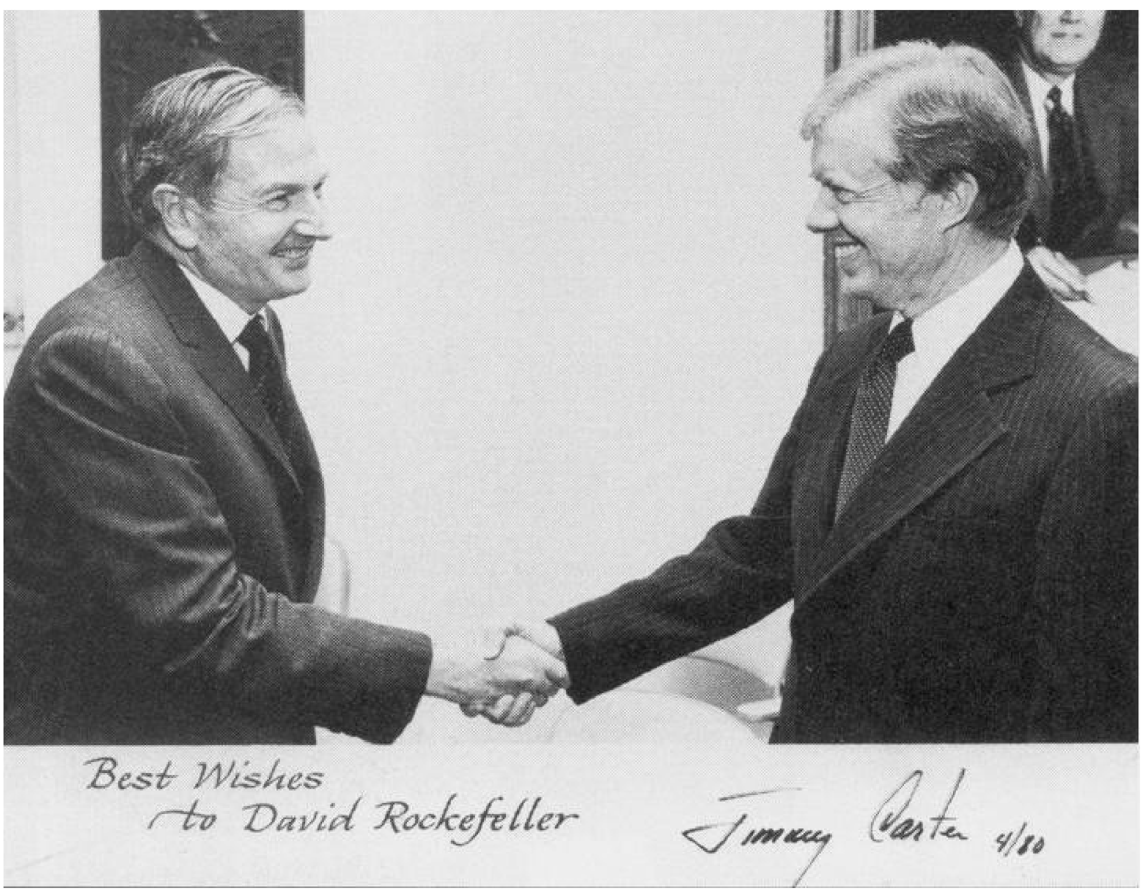
Brown Brothers Harriman partner Averell Harriman chats with Israel's Prime Minister Golda Meir at the Shoreham Hotel in Washington, D.C. on September 27, 1969. Both Harriman and Meir served as an ambassador to the Soviet Union. Averell Harriman's brother Roland Harriman, along with Prescott S. Bush, was a director of Union Banking Corporation, a bank in New York City that stored Nazi German financier Fritz Thyssen's asset of $3,000,000 in 1941. (Photo: Golda Meir Photo Collection at the University of Wisconsin at Milwaukee Libraries)

Wall Street financier Bernard Baruch meets with President Franklin Delano Roosevelt in 1933 (left) and President Dwight Eisenhower (right).

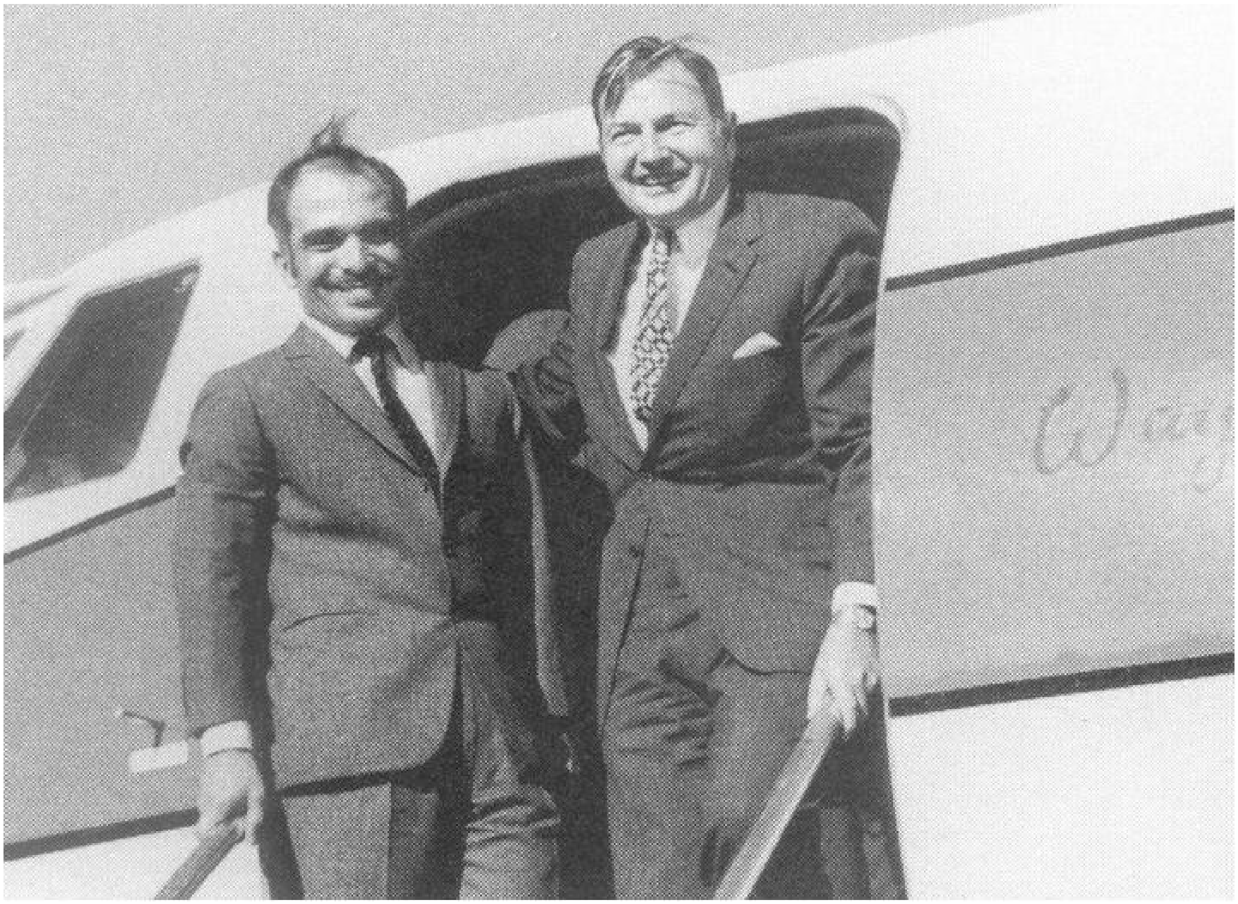
"This business of lending blood money is one of the most thoroughly sordid, cold blooded, and criminal that was ever carried on, to any considerable extent, amongst human beings. It is like lending money to slave traders, or to common robbers and pirates, to be repaid out of their plunder. And the man who loans money to governments, so called, for the purpose of enabling the latter to rob, enslave and murder their people, are among the greatest villains that the world has ever seen." – Lysander Spooner (1808-1887), from his book *No Treason* (1870)



President Gerald Ford meets with international bankers at the White House in 1975 to discuss the “fiscal crisis” of New York City. From left to right: L. William Seidman, J.P. Morgan & Co. chairman Ellmore C. Patterson, Citicorp chairman Walter Wriston, U.S. Secretary of the Treasury William Simon, President Gerald Ford, Chase Manhattan Bank chairman David Rockefeller, and Federal Reserve chairman Arthur Burns. Everyone in this photo except for L. William Seidman is or was a member of the Council on Foreign Relations.



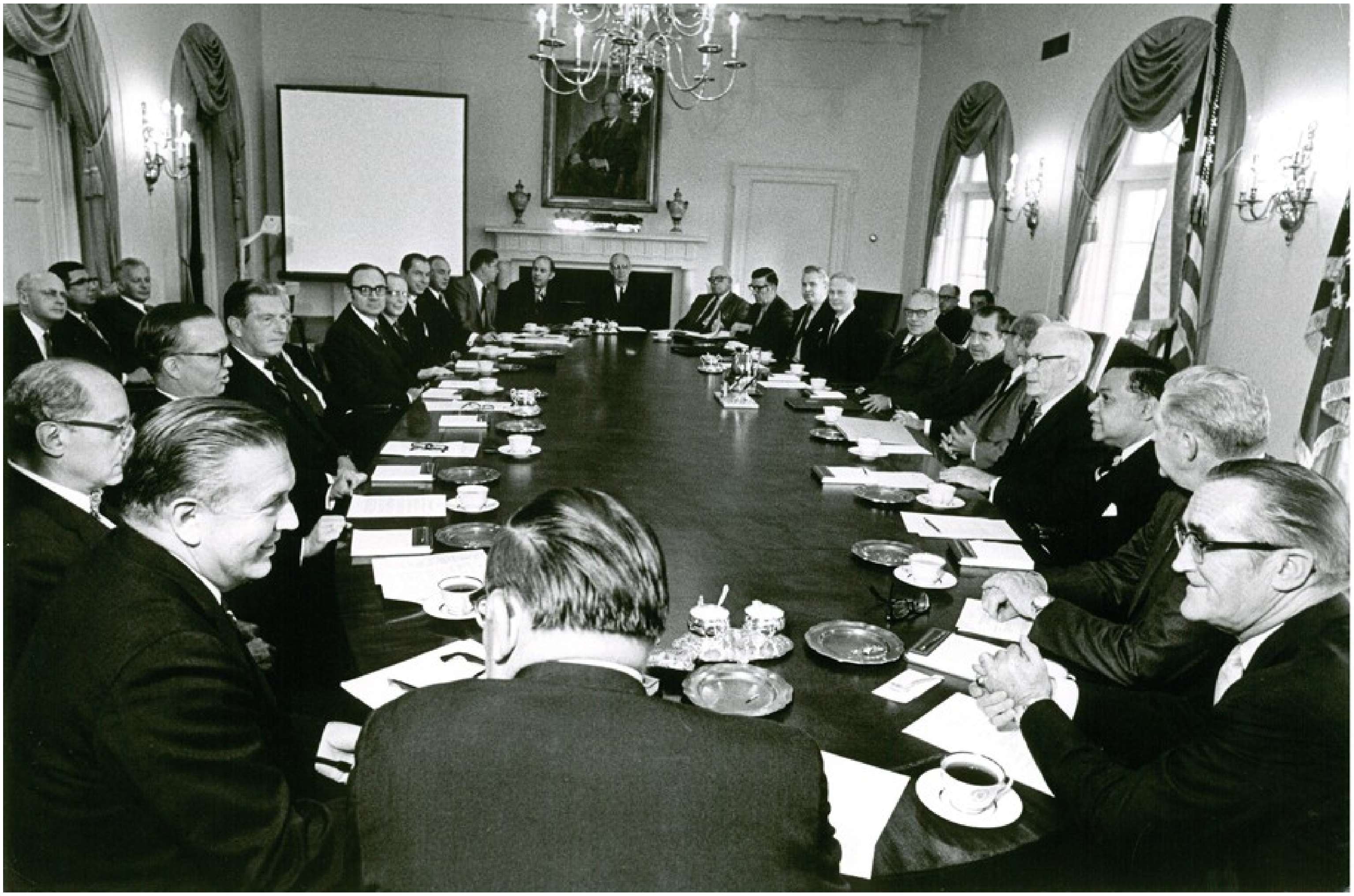
President Jimmy Carter greets David Rockefeller (left), chairman of the board of Chase Manhattan Bank, in April 1980.
(White House photo; Source: *Memoirs* by David Rockefeller)



David Rockefeller (right), chairman of the board of Chase Manhattan Bank, appears with King Hussein of Jordan on his Chase Manhattan jet. (Photo: *Memoirs* by David Rockefeller)

David Rockefeller (right), chairman of the board of Chase Manhattan Bank, chats with Prime Minister of Israel Golda Meir at a banquet. (Photo: *Memoirs* by David Rockefeller)

David Rockefeller (right), chairman of the board of Chase Manhattan Bank, shakes hands with President of Egypt Anwar Sadat in Cairo in January 1974. (Photo: *Memoirs* by David Rockefeller)



President Richard M. Nixon *meets with various businessmen, including Chairman of the board of Citicorp Walter B. Wriston (left side of table in the background, second from left of man with head turned to his left), and other members of the National Commission on Productivity in The White House Cabinet Room during 1970-1974.* (Photo: Tufts University Library)

Walter B. Wriston *(left), chairman of the board of Citicorp, chats with U.S. President Gerald R. Ford at a party.* (Photo: Tufts University Library)

Walter *B. Wriston, chairman of the board of Citicorp, meets with U.S. President Ronald Reagan, U.S. Vice President George H.W. Bush (rear right), U.S. Secretary of the Treasury Don Regan (rear left), Alan Greenspan (far right), and other members of President Reagan's Economic Policy Advisory Board.* Wriston, Bush, Regan, and Greenspan are (or were) members of the Council on Foreign Relations. (Photo: Tufts University Library)

Left to Right: Paul W. McCracken, Alan Greenspan, President Ronald Reagan, George P. Schultz, and Citicorp Chairman Walter B. Wriston meet privately during a meeting of the Economic Policy Advisory Board in the Oval Office, ca. 1981. Everyone except for Ronald Reagan is or was a member of the Council on Foreign Relations. *(Photo:* Tufts University Library)

Clockwise, left to right: George P. Shultz, Citico*rp chairman Walter B. Wriston, unidentified man, Treasury Secretary Don Regan, David Stockman (?), Paul McCracken, Alan Greenspan, and Unidentified person meet privately. (Photo:* Tufts University Library)

Retired Citicorp chairman Walter B. Wriston meets with President George H.W. Bush and in the Vice President's Office in the White House. Both men were members of the Council on Foreign Relations. *(Photo:* Tufts University Library)

Secretary of the Treasury Robert Rubin (left), David Rockefeller (center), and AIG Chairman and CEO Maurice Greenberg meet privately while President Bill Clinton delivers a speech in the background on September 14, 1998. (Photo: Council on Foreign Relations Annual Report)

Left to right: U.S. Senator Hillary Rodham Clinton, Sir Evelyn de Rothschild, former President Bill Clinton, and Lady Lynn Forester de Rothschild attend Lady Lynn Forester de Rothschild's party at the Orangery Kensington Palace in London, Great Britain on July 3, 2003 to celebrate the publication of U.S. Senator Hillary Rodham Clinton's autobiography *Living History*.
(Photo: http://www.life.com/image/81866415)

President Bill Clinton is flanked by the new Treasury Secretary Lawrence Summers and the outgoing Treasury Secretary Robert Rubin at the White House on May 12, 1999. Robert Rubin, who is a director of Citigroup, was a former partner and chairman of Goldman Sachs, a prominent banking firm in New York City. (Ron Sachs/CNP/Sygma/Corbis)

President George W. Bush and Citigroup banker Robert Rubin (left), the former Treasury Secretary, former Partner of Goldman Sachs, and the chairman of the executive committee of Citigroup, look on before Bush makes a keynote address at the Asia-Pacific Economic Cooperation (APEC) summit in Shanghai, Communist China on October 20, 2001. (Bobby Yip/Reuters/CORBIS)

President George W. Bush (left) appoints Henry Paulson, the Chairman and CEO of Goldman Sachs, to serve as the Secretary of the Treasury in 2006.

U.S. Secretary of the Treasury Henry Paulson (left) shakes hands with John Thain, the CEO of New York Stock Exchange Group as Jeffrey R. Immelt (second from left), Chairman and CEO of General Electric Company, Charles Schwab (center), Chairman and CEO of Charles Schwab Corporation, and James Dimon (standing behind Thain), Chairman and CEO of JPMorgan Chase and Company looks on during a meeting at Georgetown University in Washington, D.C. on March 13, 2007. Paulson and Dimon are members of the Council on Foreign Relations. (Photo by Chip Somodevilla/Getty Images)

U.S. Secretary of the Treasury Henry Paulson (right), the former Chairman and CEO of Goldman Sachs, talks to Jean-Claude Trichet, President of the European Central Bank (ECB) during the G7 summit in Essen, Germany on February 10, 2007. The G7 finance ministers and central bank governors discussed the development of global economy for 2007. Paulson is a member of the Council on Foreign Relations; Trichet has attended several Bilderberg Meetings. (Photo by Ralph Orlowski/Getty Images)

Hungarian-born international banker George Soros (left) greets U.S. Senator Hillary Clinton (D-NY) after she introduced him at the Take Back America Conference in Washington, D.C. on June 3, 2004. George Soros is a member of the Council on Foreign Relations. (Photo by Matthew Cavanaugh/Getty Images)

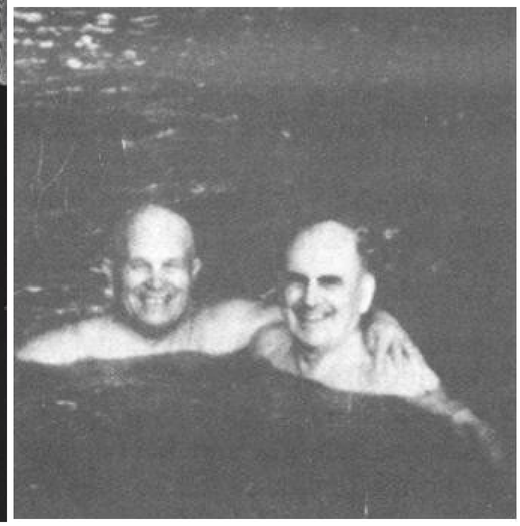

Democratic Party presidential candidate Senator Barack Obama (center) is flanked by former Federal Reserve Chairman Paul A. Volcker (left) and Citigroup director and former Treasury Secretary Robert E. Rubin as he meets with economic advisors at Bank United Center in Coral Gables, Florida on September 19, 2008. Paul A. Volcker and Robert E. Rubin are members of the Council on Foreign Relations. (AFP/Getty Images)

Democratic Party presidential candidate U.S. Senator Barack Obama speaks at a fund-raising event at Steven and Judy Gluckstern's home on April 9, 2007. International banker George Soros is seated to the right of the stairs. **George Soros is a member of the Council on Foreign Relations and a frequent Bilderberg Meetings participant.** (Photo: Michael Edwards/New York Magazine)

U.S. President Barack Obama (left) shakes hands with international banker Jamie Dimon, the Chairman and CEO of JP Morgan Chase, during a meeting of business leaders at a hotel in Washington, D.C. on March 12, 2009. **Jamie Dimon is a member of the Council on Foreign Relations and a member of the Trilateral Commission.** (Reuters)

International Bankers & Terrorists

Hjalmar Schacht (right), the President of the Reichsbank, walks with Adolf Hitler, the Fuhrer of Nazi Germany, on May 5, 1934. (Photo: http://germanhistorydocs.ghi-dc.org/sub_image.cfm?image_id=1964&language=german)



Left photo: Brown Brothers Harriman & Co. partner Averell Harriman sits between British Prime Minister Winston Churchill (left) and Soviet Commissar Josef Stalin (second from right) in 1942. Harriman was a member of Skull & Bones at Yale University and the Council on Foreign Relations. The man on the far right is Soviet Foreign Minister Vyacheslav Molotov. (Photo: Library of Congress)

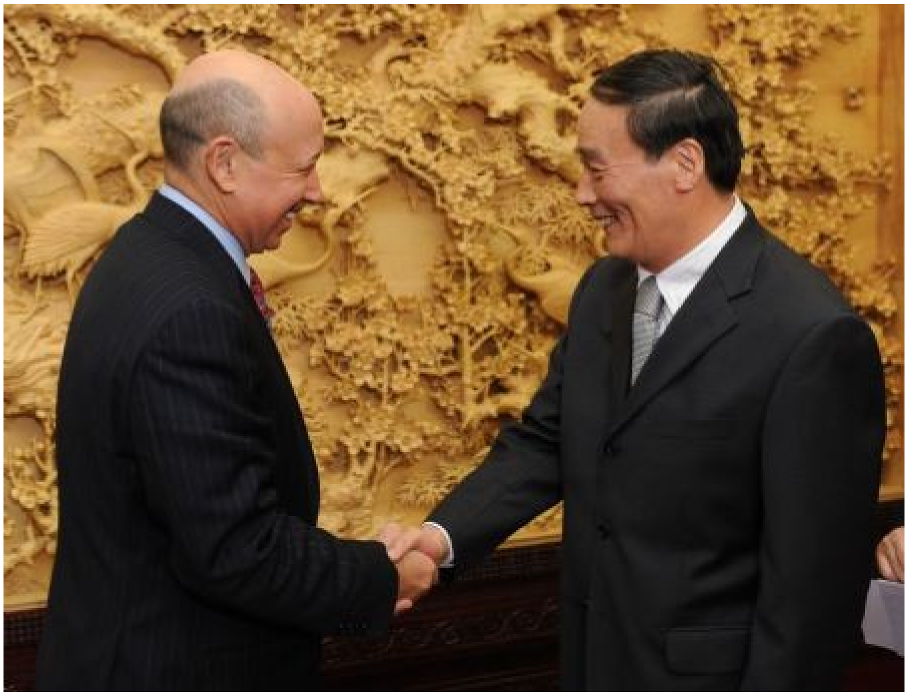
Right photo: Soviet Premier Nikita Khrushchev (left) and John McCloy, former President of the World Bank and Chairman of Chase Manhattan Bank, are seen swimming in a swimming pool together at Nikita Khruschev's house in the Soviet Union.
(Source: *The Wise Men: Six Friends and The World They Made* by Walter Isaacson and Evan Thomas)

David Rockefeller (left), President of Chase Manhattan Bank, and his daughter Neva Rockefeller (second from left) greet Soviet Premier Nikita Khrushchev (right) at the Kremlin in Moscow, Soviet Union on July 29, 1964. **David Rockefeller attended the March 1964 Bilderberg Meetings held in Williamsburg, Virginia, U.S.A.**
(Photo: *Memoirs* by David Rockefeller/Wide World Photos)

Chase Manhattan Bank Chairman and CEO David Rockefeller (left) visits Red China's Foreign Minister Chou Enlai in Peking in 1973.
(Photo: *Memoirs* by David Rockefeller)

"To become a global banking leader Chase would have to confront the reality that much of the world was dominated by governments fundamentally opposed to democratic principles and to the operation of the free market. As a practical necessity, then, if Chase was to expand internationally, we would have to learn how to deal with regimes that were autocratic, totalitarian, and anticapitalist in their orientation and policies. Even though I was totally unsympathetic to these regimes, I believed the bank should work with them. Throughout my Chase career I never hesitated to meet with the leaders of my country's most militant and obdurate ideological adversaries, and with rulers whose despotic and dictatorial style I personally despised, from Houari Boumedienne of Algeria to Mobutu Sese Soko [sic] of Zaire, from General Augusto Pinochet of Chile to Saddam Hussein of Iraq. I met them all. I talked at some length with Marshal Tito of Yugoslavia, President Nicolae Ceausescu of Romania, General Wojciech Jaruzelski of Poland, and General Alfredo Stroessner of Paraguay. I sat for extended discussions with all the modern leaders of racist South Africa: Henrik Verwoerd, B.J. Vorster, P.W. Botha, and, later, the more enlightened F. W. de Klerk. I persevered through lengthy meetings with Zhou Enlai and other senior members of the Chinese Communist hierarchy while the Cultural Revolution still raged. I debated virtually every leader of the Soviet Union from Nikita Khrushchev through Mikhail Gorbachev, and, even more recently, confronted Fidel Castro during his 1996 visit to New York. Critics from both the left and the right have vilified me for doing this. Indeed, mine has not been a particularly popular or well-understood position. My critics claim that "David Rockefeller has never met a dictator he didn't like." But at no time in more than four decades of private meetings with foreign leaders have I ever deferred to their point of view when I disagreed with them. On the contrary, I have used these meetings to point out respectfully but firmly the flaws in their systems as I saw them and to defend the virtues of my own. I pursued these opportunities because I believed that even the most entrenched authoritarian systems would succumb eventually to the superior values of our system." – *Memoirs* by David Rockefeller, p. 222-223

World Bank President James D. Wolfensohn (left) meets with Red China's President Hu Jintao at the Great Hall of the People in Beijing on May 30, 2004. (Xinhua Photo)



Lloyd Blankfein (left), Chairman and CEO of Goldman Sachs, visits Red China's Vice Premier Wang Qishan (R) in Beijing on December 1, 2009. Lloyd Blankfein is a member of the Council on Foreign Relations. (Xinhua/Huang Jingwen)
http://news.xinhuanet.com/english/2009-12/01/content_12571352.htm

Stanley Fischer (left), the First Deputy Managing Director of the International Monetary Fund (IMF), prepares to shake hands with Palestine Liberation Organization (PLO) terrorist Yasser Arafat during a press conference in the lobby of the IMF building in Washington, D.C. on January 21, 2000. Stanley Fischer is a member of the Council on Foreign Relations and a member of the Trilateral Commission. (Paul J. Richards/AFP/Getty Images)

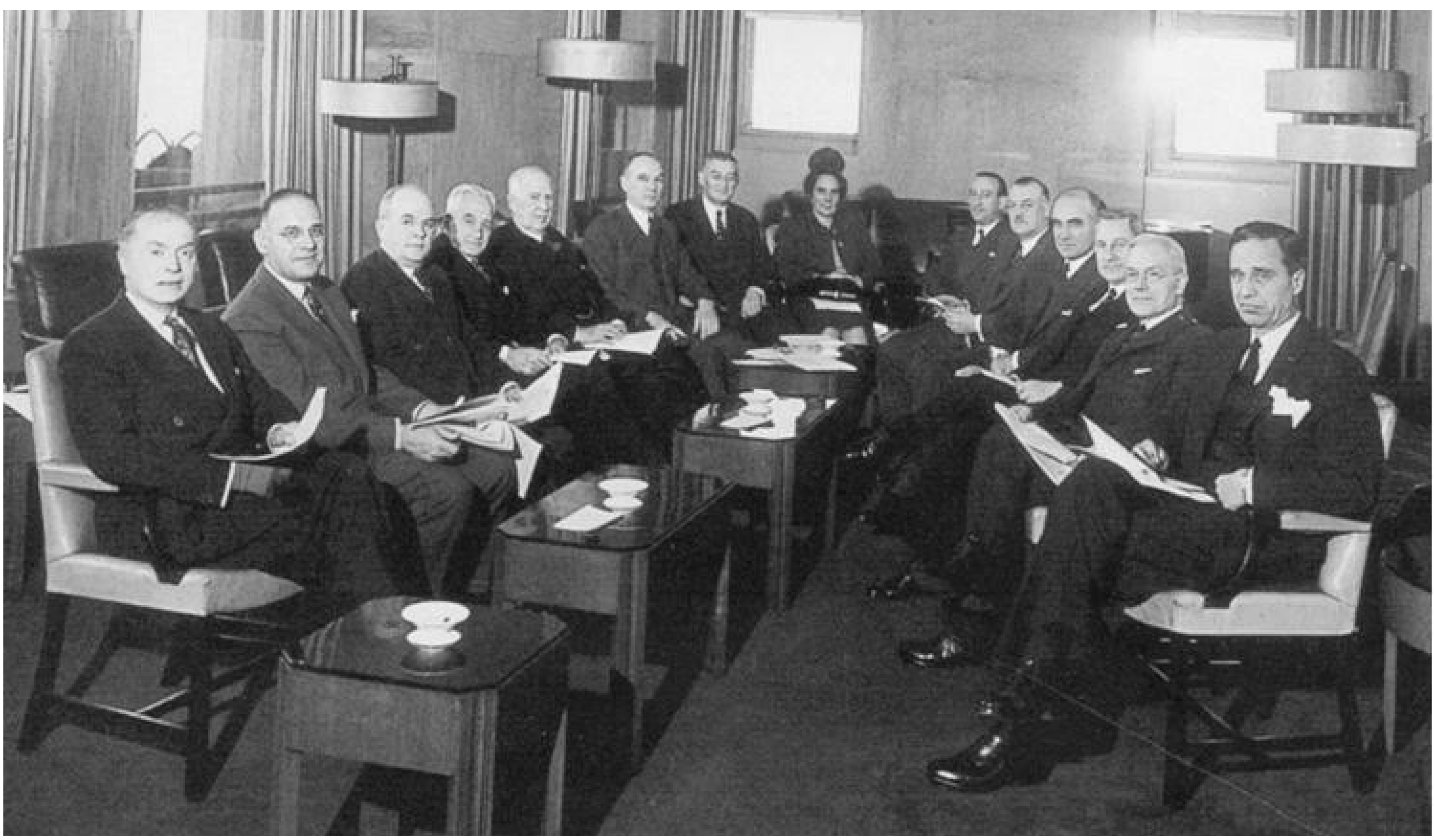
Arab terrorist Yasser Arafat (right) speaks at a joint press conference with World Bank President James Wolfensohn (left) after a signing ceremony at the World Bank in Washington, D.C. on May 1, 1996. The World Bank approved a $20 million credit loan to help “alleviate” the economic crisis in Gaza and the West Bank territories of “Palestine”. (Joyce Naltchayan/AFP/Getty Images)

International Bankers: Modern Moneychangers

Peter G. Peterson (left), the Chairman and CEO of Lehman Brothers, receives an award from George W. Ball, the Senior Partner of Lehman Brothers at a banquet on November 13, 1979. Peter G. Peterson and George W. Ball were members of the Council on Foreign Relations, an internationalist organization in New York City, in 1979.
(Photo: George W. Ball Papers, Seeley G. Mudd Manuscript Library at Princeton University)

H. Donald Campbell (left), the President of Chase National Bank, stands beside Winthrop W. Aldrich, the Chairman of Chase National Bank, in New York City in July 1945. Both men were members of the Council on Foreign Relations. (Photo: Herbert Gehr/Time Life)

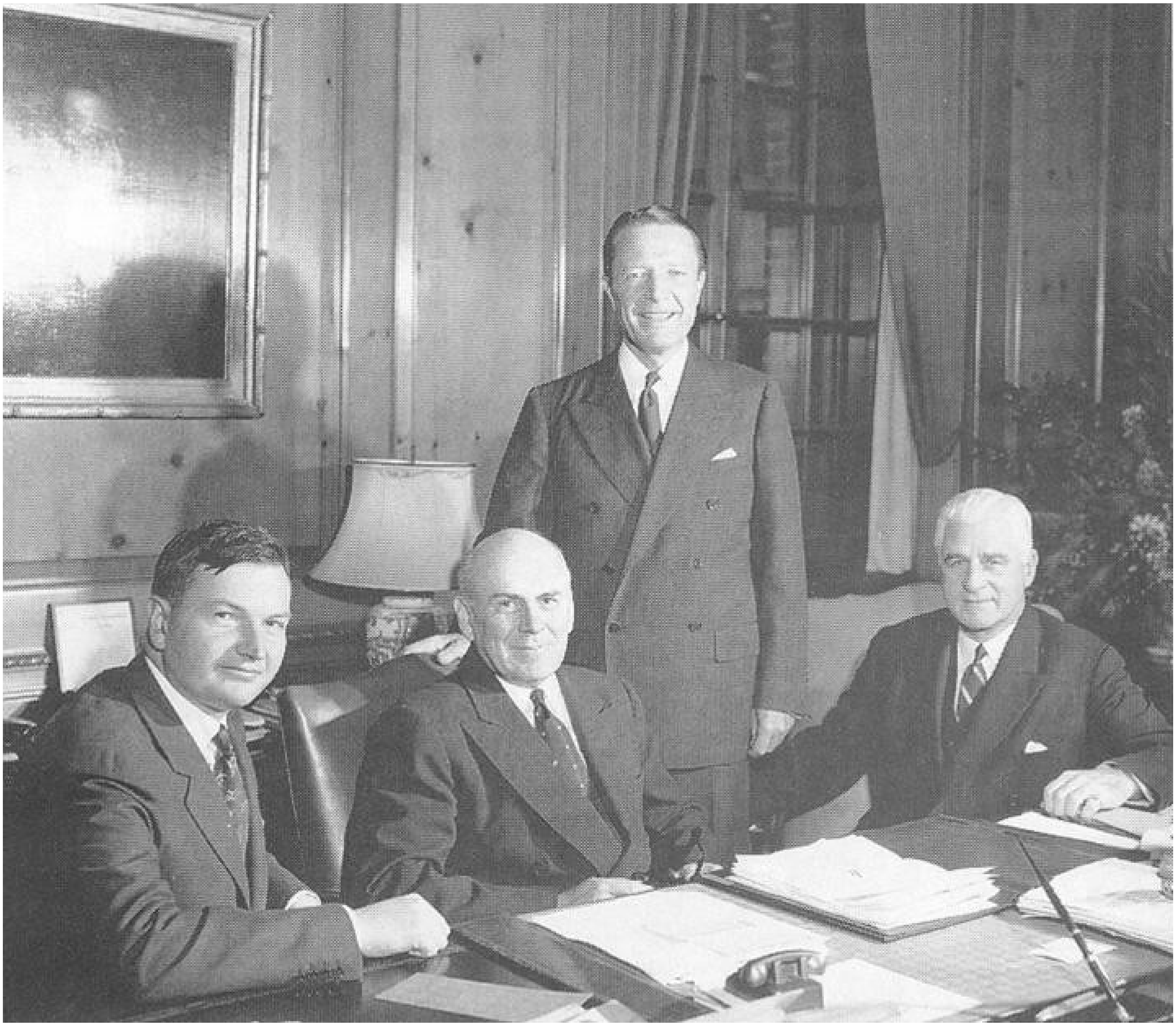
Heads of National City Bank William G. Brady Jr. (left), Gordon S. Rentschler (center) and W. Randolph Burgess sit at a table for a portrait at their office in New York City in December 1945. All three men were members of the Council on Foreign Relations. (Photo: Herbert Gehr/Time Life)



Prescott S. Bush (far right) was the chairman of the executive committee of the National War Fund in the spring of 1945 during World War II. From left to right: unknown, unknown, unknown, Bernard Baruch, unknown, unknown, National City Bank Chairman Gordon Rentschler, unknown, unknown, National City Bank banker William G. Brady Jr., Roland Harriman, Chase National Bank Chairman Winthrop Aldrich, John D. Rockefeller Jr., and Brown Brothers Harriman partner Prescott S. Bush.
(Source: *The Bush Family: Four Generations of History in Photographs* by James Spada)

Morgan, Stanley & Co. partners (L-R) Perry E. Hall, A. Northey Jones, Frederick A. O. Schwarz, Robert Gaunt, Charles R. Beattie, Sherwood Hall, Judson McHester, J. C. James and Bert Vickery meet at their office in New York City in July 1945. Perry E. Hall and Frederick A.O. Schwarz were members of the Council on Foreign Relations. (Photo: Herbert Gehr/Time Life)

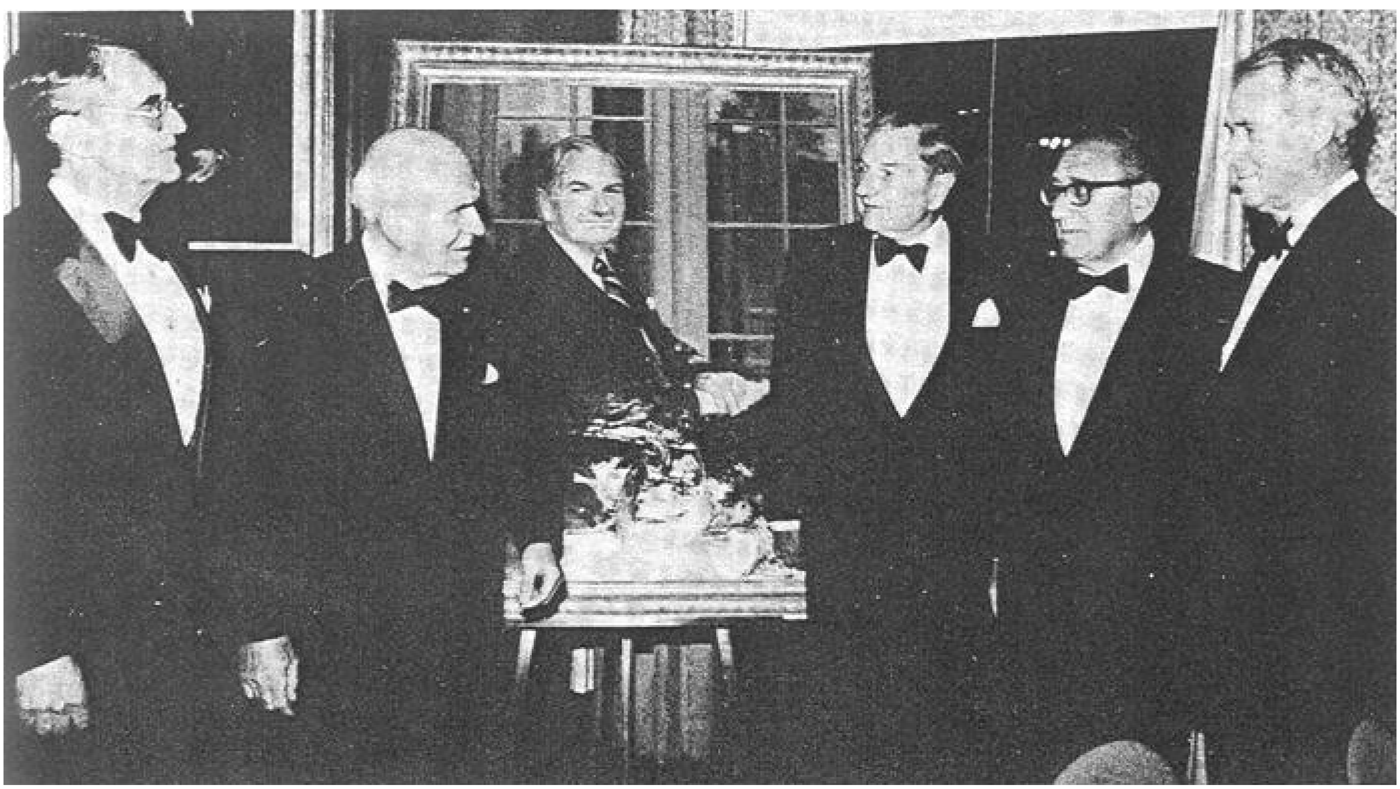
Brown Brothers Harriman & Co. partners (from left to right) Thatcher M. Brown, Ray Morris, H. D. Pennington, Prescott S. Bush, Thomas McCance, and Knight Woolley pose for the camera at their office in New York City in July 1945. Ray Morris, Prescott S. Bush, and Knight Woolley were members of Skull & Bones at Yale University. Thatcher M. Brown and Thomas McCance were members of Wolf's Head at Yale University. (Photo: Herbert Gehr/Time Life)



Chase Manhattan Bank chairman John McCloy sits beside David Rockefeller (left) and George Champion (standing).

As a high commissioner to West Germany, McCloy granted clemency to Nazi corporate financiers and war criminals Hjalmar Schacht, Alfried Krupp, and Fritz Thyssen (the man who wrote a book called “I Paid Hitler”). Champion and Rockefeller would go on to serve as chairman of Chase Manhattan (now part of JP Morgan Chase). McCloy and Champion were members of the Council on Foreign Relations. Both McCloy and Rockefeller served as Chairman of the Council on Foreign Relations. Rockefeller is a member of the Council on Foreign Relations and the Trilateral Commission.

Brown Brothers Harriman partners (from left to right) E. Roland Harriman, Prescott Bush, Knight Woolley, and Robert Lovett discuss financial matters at the Brown Brothers Harriman office on July 28, 1964. The Gulf of Tonkin incident took place during the first week of August 1964.



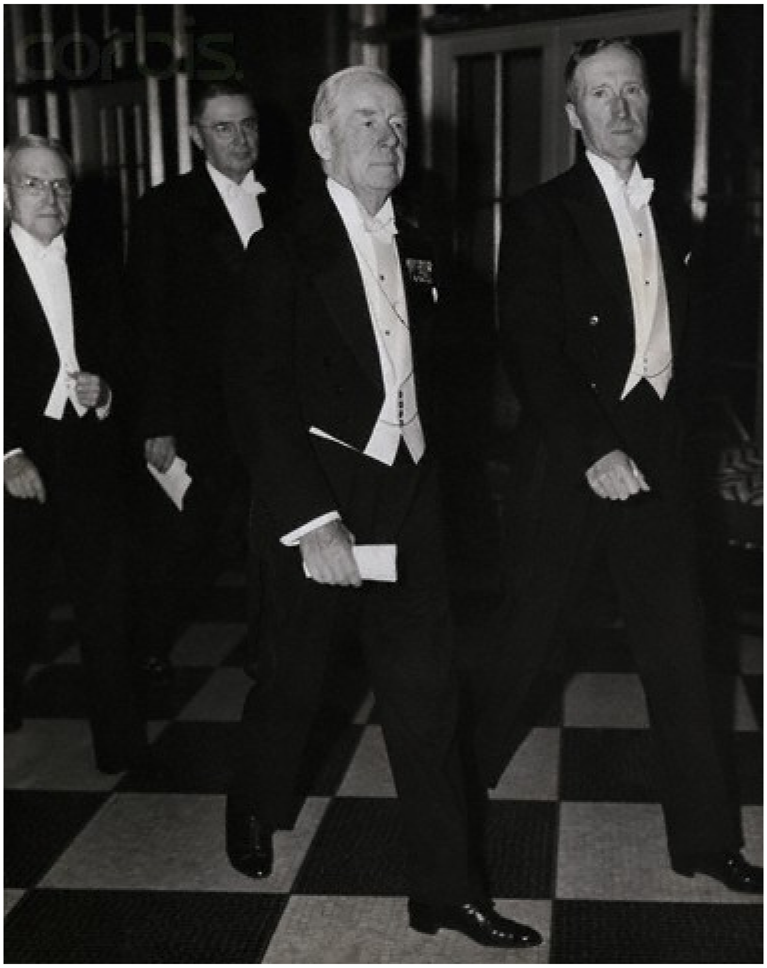
Left to right: Peter G. Peterson, John McCloy, David Rockefeller, Henry Kissinger, and Cyrus Vance appear at the Harold Pratt House. Peterson, McCloy, and Rockefeller once served as chiefs of international banks.
(Photo: Council on Foreign Relations Annual Report)

Morgan, Stanley & Co. president Harold Stanley (left) chats with J.P. Morgan partners George Whitney (center) and Russell C. Leffingwell at the Monopoly Committee hearing in Washington, D.C. on December 20, 1939. All three men were members of the Council on Foreign Relations. Harold Stanley was a member of Skull & Bones at Yale University. (Photo: Library of Congress Prints and Photographs Division)

Blackstone Group bankers Peter G. Peterson (left) and Stephen Schwarzman appear at a party together. Peter G. Peterson is the former Chairman of the Council on Foreign Relations and former Chairman and CEO of Lehman Brothers. Both men are members of the Council on Foreign Relations. Stephen Schwarzman is a member of Skull & Bones at Yale University.

Three of the nation's leading businessmen are shown at the studio in New York City on November 18, 1938 from which they spoke during an NBC-sponsored broadcast in which business and financial leaders of the United States, England and Canada praised the Anglo-American-Canadian trade pacts. Left to right are Alfred P. Sloan, Chairman of the Board of General Motors; Gerard Swope, President of the General Electric Company, and Winthrop Aldrich, Chairman of the Board of the Chase National Bank. All three men were members of the Council on Foreign Relations. (Bettmann/CORBIS)

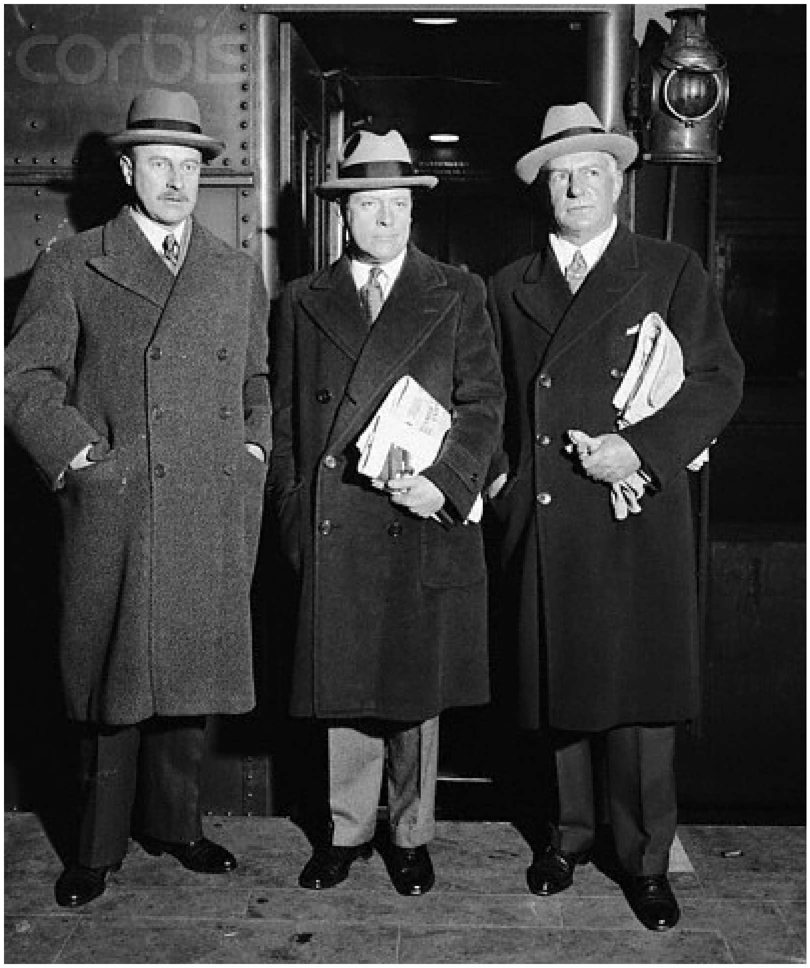
Left to right: Winthrop W. Aldrich, Chairman of the Board of Chase National Bank, and president of the State Charities Aid Assn., Walter S. Gifford, Chairman of the Board of American Telephone and Telegraph Co., and a founder of the Fund in 1938, and Henri C. Brunie, President of the Empire Trust Company and President of the fund, appear at a party in New York City on April 26, 1948. Winthrop W. Aldrich and Walter S. Gifford were members of the Council on Foreign Relations. (Bettmann/CORBIS)



Left photo: International banker Thomas W. Lamont, who became the chairman of J. P. Morgan and Company's board of directors, walks in front of the illustrious business mogul John D. Rockefeller Jr. at a party in circa 1940. (Bettmann/CORBIS)

Right photo: New Yorkers at Relief Conference. Businessmen entered the White House in Washington, D.C. on September 15, 1932, where they were welcomed by President Hoover, are (left to right): Walter Gifford, President of the American Telephone and Telegraph Company; Harvey Gibson, Chairman of the New York Emergency Unemployment Relief Committee and Thomas W. Lamont of J.P. Morgan & Company. After their greeting by the President, the trio of prominent New Yorkers attended the opening session of the Welfare and Relief Mobilization conference in Washington, D.C. (Bettmann/CORBIS)

Left photo: George Soros (left) appears with David Rockefeller.



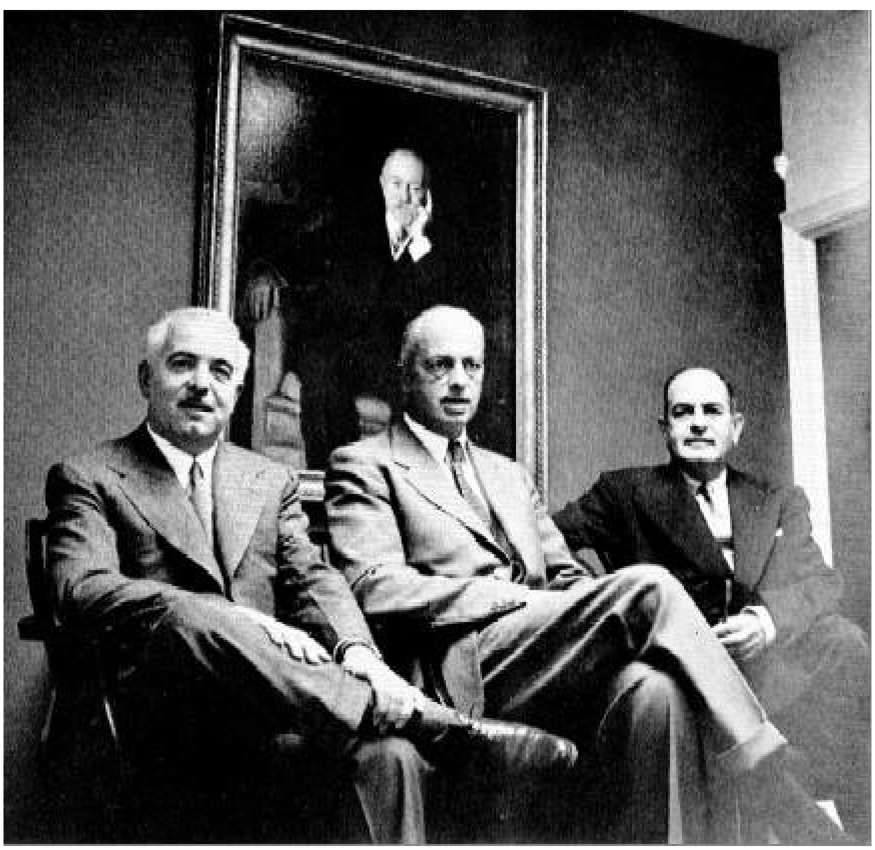
Winthrop Aldrich (left), Acting Mayor of New York City Joseph V. McKee (center), and Charles E. Mitchell (right), the latter two members of a banking consortium which had refused to extend further credits to the city, are shown in New York City on December 1, 1932 as they left New York City for Albany to confer with acting governor Herbert Lehman, on a proposed special legislative session to consider city finances. Aldrich and Mitchell were members of the Council on Foreign Relations. (Bettmann/CORBIS)

Chase Manhattan Corporation's executive management team in 1974 consists of (standing from left) Executive Vice Presidents John C. Haley and John A. Hooper, Vice Chairman Leonor F. Loree, II, and George A. Roeder, Jr., Executive Vice Presidents William S. Ogden and Barry S. Sullivan, and (seated from left) President Willard C. Butcher and Chairman David Rockefeller. (Bettmann/CORBIS)

Jacob Schiff appears with his family. His daughter Frieda Schiff Warburg and her husband Felix Warburg are standing behind Jacob. Felix Warburg took over Kuhn Loeb & Co. when Jacob Schiff died. He also owned the Manhattan Bank which was to merge with the Rockefellers' Chase Bank in 1955. Solomon Loeb is seated in the front row, second from left. Felix Warburg was a member of the Council on Foreign Relations. Jacob Schiff provided at least $20 million to the Soviets to finance the Bolshevik Revolution.

Abby Aldrich and her husband John D. Rockefeller Jr. stand with their children in Seal Harbor, Maine in 1921. Abby Aldrich's father was Senator Nelson Aldrich. From left to right: Laurence, Babs, John III, David (with his mother Abby Aldrich), Winthrop, and Nelson.

The Warburg Brothers appear together on August 21, 1929, on the eve of the Great Depression. From left to right: Paul Warburg, Felix Warburg, Max Warburg, Fritz Warburg, and Aby Warburg. (Source: *The Warburgs* by Ron Chernow)



The partners of Kuhn, Loeb & Co. sit in front of a portrait of Jacob Schiff during the 1960s. From left to right: Gilbert W. Kahn, John M. Schiff, and Frederick M. Warburg. Gilbert W. Kahn was the son of Otto Kahn; John M. Schiff and Frederick M. Warburg were Jacob Schiff's grandsons. Both Schiff and Warburg were members of the Council on Foreign Relations. According to John Schiff, his grandfather provided $20 million to help finance the Bolshevik Revolution.

Otto H. Kahn, spokesman for Kuhn, Loeb & Co., private bankers of New York, shown with three partners of the firm, at the opening of the inquiry into the affairs of Kuhn, Loeb & Co., by the Senate Banking and Currency Committee at Washington, D.C., June 27, 1933. Kahn was the first witness to testify. From left to right: Percy M. Stewart, Otto H. Kahn, Lieutenant Colonel Sir William George Eden Wiseman, Chief of the British Secret Service in the United States during the World War; Benjamin J. Buttenwieser. Kahn and Buttenwieser were members of the Council on Foreign Relations, an internationalist organization in New York City. (© Bettmann/CORBIS)

The English Speaking Union tendered a luncheon to former vice-president Thomas R. Marshall and Mrs. Marshall on their recent visit to London on May 31, 1922. In the group shown here are Mr. Marshall, Major General Seely, Mrs. Marshall, and U.S. Ambassador to Great Britain Harvey. At the extreme right is Otto H. Kahn, prominent American Jewish financier. (© Bettmann/CORBIS)

10. Second Annual Dinner, Hong Kong and Shanghai Bank, at the Trocadero Restaurant, London, Wednesday, 13 January 1909. Charles Addis is circled

(Photo: *Finance and Empire: Sir Charles Addis, 1961-1945* by Roberta Allbert Dayer)

14. The Conference held at Baden Baden, October 1929

A conference takes place in Baden Baden, Germany in October 1929. Reichsbank President Hjalmar Schacht is seated in the center table in the rear. (Photo: *Finance and Empire: Sir Charles Addis, 1961-1945* by Roberta Allbert Dayer)

15a. (*above*) Hotel George V, Paris. Signing the Experts Report, Reparations Conference, 1929

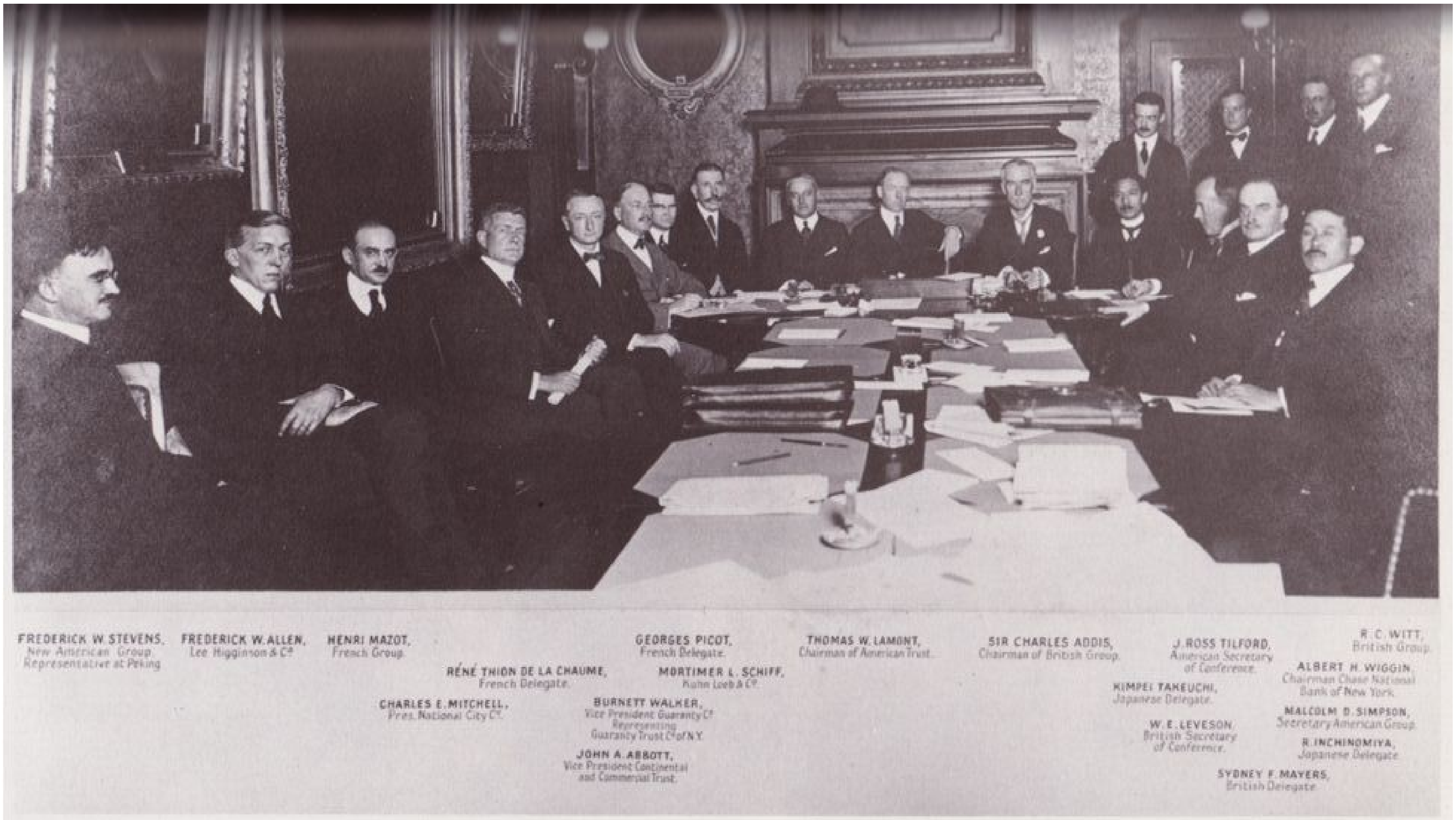
(Photo: *Finance and Empire: Sir Charles Addis, 1961-1945* by Roberta Allbert Dayer)

16. Sir Charles Addis and Lord Norman, Bank of England, c. 1930 *The Governor and Company of The Bank of England*

Sir Charles Addis (left) appears with Lord Montagu Norman, the Governor of the Bank of England
(Photo: *Finance and Empire: Sir Charles Addis, 1961-1945* by Roberta Allbert Dayer)

15b. (*below*) The first meeting of the Board of Directors of the Bank for International Settlements (Young Plan) Basle, May 1930
Note: 1 is Sir Charles Addis
2 is Lord Norman

Lord Montagu Norman, the Governor of the Bank of England, and his assistant Sir Charles Addis attend the first meeting of the board of directors of the Bank for International Settlements in Basle [Basel], Switzerland in May 1930.
(Photo: *Finance and Empire: Sir Charles Addis, 1961-1945* by Roberta Allbert Dayer)



13. The Second China Consortium, New York, October 1920

International bankers attend The Second China Consortium meeting in New York City in October 1920. Left to right: Frederick W. Stevens, Frederick W. Allen, Henri Mazot, Charles E. Mitchell, Rene Thion de la Chaume, John A. Abbott, Burnett Walker, Georges Picot, Mortimer L. Schiff, Thomas W. Lamont, Sir Charles Addis, Kinpei Takeuchi, W.E. Leveson, J. Ross Tilford, Sydney F. Mayers, Malcolm D. Simpson, Albert H. Wiggin, R. Inchinomiya, and R.C. Witt. Charles E. Mitchell, Mortimer L. Schiff, Thomas W. Lamont, and Albert H. Wiggin were members of the Council on Foreign Relations. Frederick W. Allen was a member of Skull & Bones at Yale University.
(Photo: *Finance and Empire: Sir Charles Addis, 1961-1945* by Roberta Allbert Dayer)

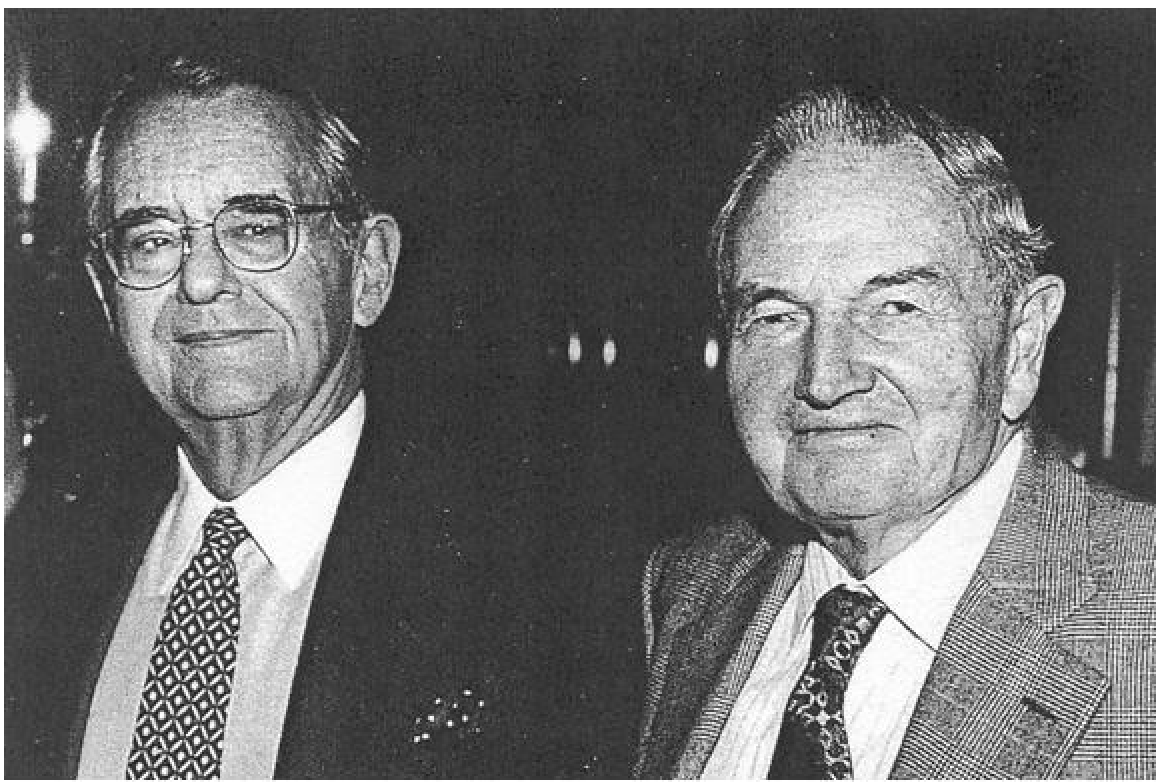
Brown Brothers Harriman & Co. partners Robert Lovett (left) and Robert V. Roosa sit inside Roosa's office at Brown Brothers Harriman & Co. building in New York City on May 4, 1967.

The National City branch at Petrograd, 1917.

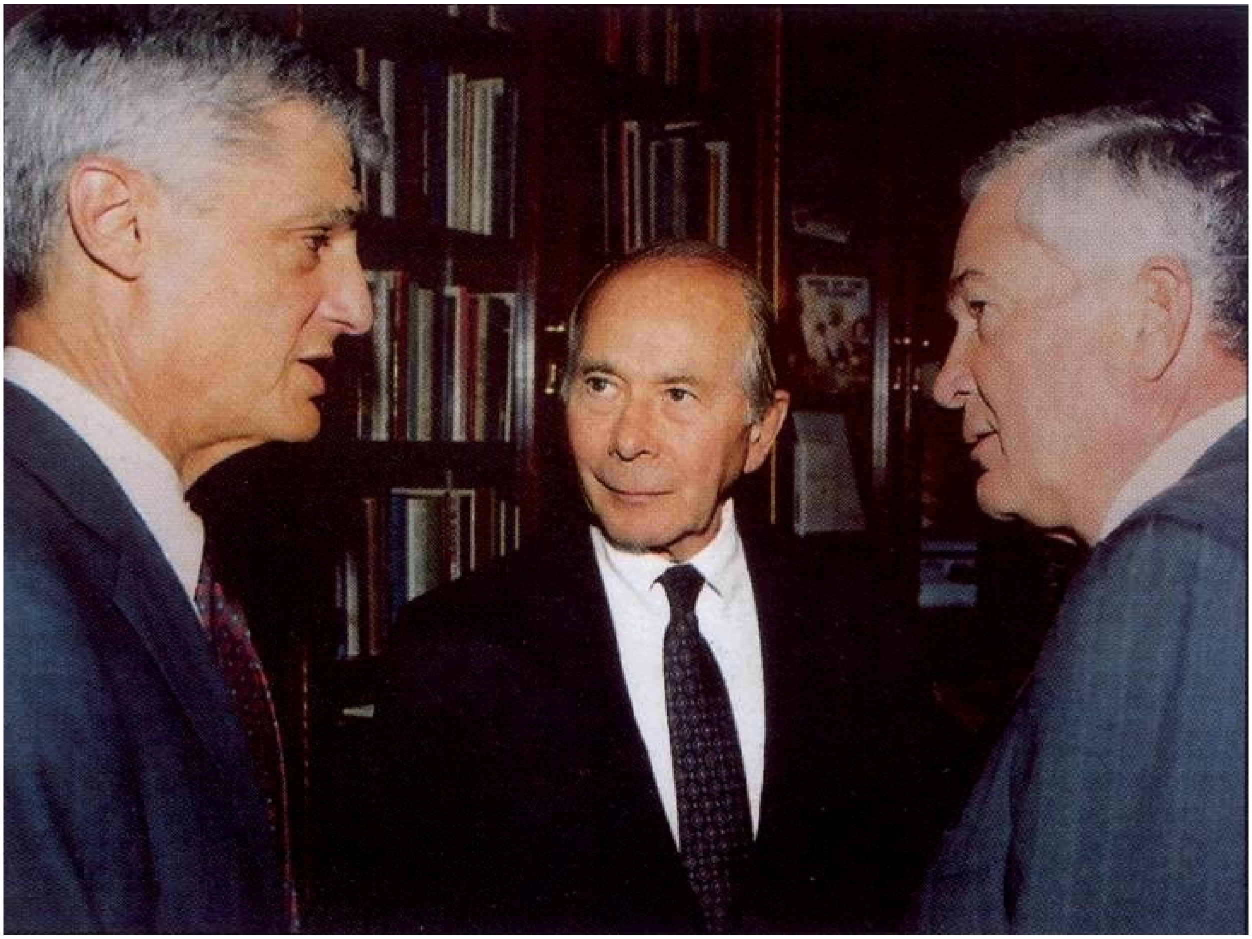
George S. Moore *(left), Chairman of First National City Bank, and Walter B. Wriston, President and CEO of First National City Bank, laugh together in 1967. Both men were members of the Council on Foreign Relations. (Photo:* Tufts University Library)

Left photo: Richard Holbrooke (left) talks to George Soros at the Harold Pratt House. (CFR Annual Report)
Right photo: David Rockefeller listens as Leslie Gelb (left) talks to George Soros (right) at the Harold Pratt House. (Photo: CFR Annual Report)

Former Secretary of the Treasury C. Douglas Dillon talks to Peter G. Peterson at a meeting at the Harold Pratt House. (Photo: CFR Annual Report)

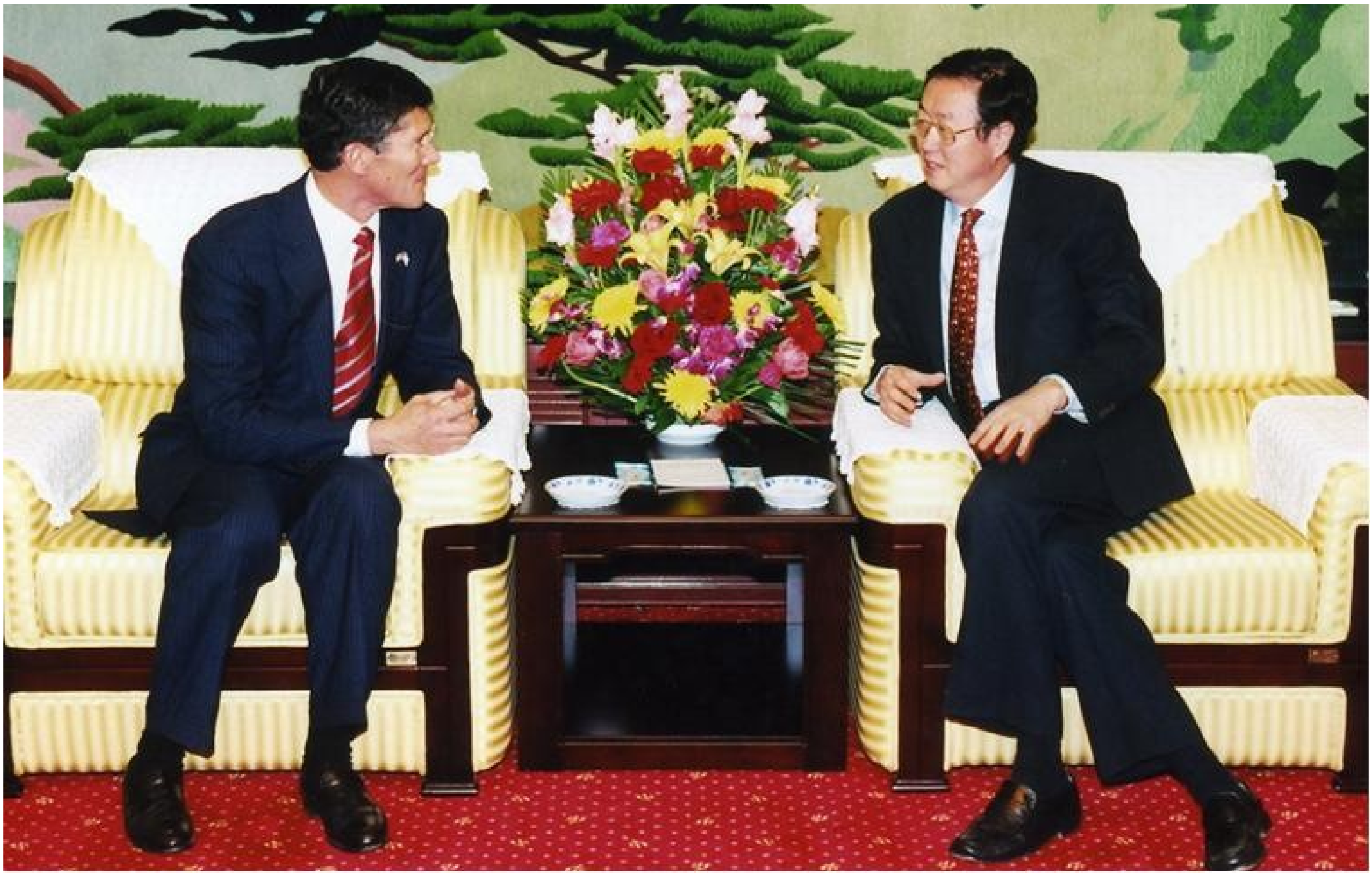


Council on Foreign Relations (CFR) Chairman Peter G. Peterson appears with CFR Honorary Chairman David Rockefeller at the Harold Pratt House in New York City on September 26, 1995. Peter G. Peterson is the former Chairman and CEO of Lehman Brothers; David Rockefeller is the former Chairman and CEO of Chase Manhattan Bank (now part of JP Morgan Chase). (Photo: CFR Annual Report)



Citigroup director and former Treasury Secretary Robert Rubin (left), former AIG Chairman Maurice Greenberg (center), and Carlyle Group Chairman Louis V. Gerstner Jr. (right) meet privately. (Photo: CFR Annual Report)

David Rockefeller (left) talks to former President of The World Bank James Wolfensohn. (Photo: CFR Annual Report)



New York Stock Exchange CEO John A. Thain meets with Zhou Xiaochuan, Governor of the People's Bank of China (PBOC), at the PBOC office in Beijing in October 2005. (Photo: New York Stock Exchange)

Left: James Wolfensohn and David Rockefeller celebrate at a party.
Right: James Wolfensohn visits Russia's President Vladimir Putin, a former KGB agent.

Left to right: Deutsche Bank Chief Executive Josef Ackermann, HSBC Holdings Group Chairman Stephen Green, Royal Bank of Canada (RBC) Chief Executive Gordon Nixon, Bank of Nova Scotia Chief Executive Rick Waugh and Former U.S. Federal Reserve Chairman Paul Volcker answer questions at a news conference at the Spruce Meadows round table on Global Banking in Calgary, Canada on September 5, 2008. (Reuters)

Christian Noyer (right), Governor of the Bank of France, gathers with Paul Volcker (second from right), former Chairman of the Federal Reserve, Paul Desmarais Jr. (second from left), Chairman and co-Chief Executive of Power Corporation of Canada and Henri-Paul Rousseau (right), former President and Chief Executive of Caisse de depot et placement du Quebec, prior to a speech at the International Economic Forum of the Americas in Montreal, Canada on June 9, 2008. (Reuters)

Federal Reserve Board Chairman Ben Bernanke (left) talks to Jean-Claude Trichet, President of the European Central Bank (ECB), during the G7 summit in Essen, Germany on February 10, 2007. The G7 finance ministers and central bank governors discussed the development of global economy for 2007. (Photo by Ralph Orlowski/Getty Images)

Averell Harriman appears with Thomas W. Lamont (left) and Allen Wardwell (right) at a Russian War Relief dinner in 1941. All three men were members of the Council on Foreign Relations.

Left to right: Mario Draghi, the Governor of the Bank of Italy, Jean-Claude Trichet, the President of the European Central Bank (ECB), and Italy's Finance Minister Tommaso Padoa-Schioppa share a joke during the G7 summit in Essen, Germany on February 10, 2007. The three men in this photograph went to the Bilderberg Meetings together in 2001, 2002, and 2004. (Photo by Ralph Orlowski/Getty Images)

European Central Bank President Jean-Claude Trichet (left) chats with IMF Managing Director Rodriogo De Rato at the beginning of the G20 finance ministers and central bank governors' meeting in Berlin on November 20, 2004. (Photo by Sean Gallup/Getty Images)

European Central Bank President Jean-Claude Trichet (L) and Deutsche Bank Chief Executive Josef Ackermann take part in the International Monetary Conference (IMC) in Barcelona, Spain on June 3, 2008. (Reuters)

From left, China's central bank governor Zhou Xiaochuan, Bank of Italy Governor Mario Draghi and European Central Bank President Jean-Claude Trichet smile at the end of a press conference on the occasion of the 4th High-level Seminar of Central Banks in the East Asia-Pacific Region and the Euro Area, in Rome, Italy on June 27, 2008. (AP Photo)

From left to right, Finance Minister of France Christine Lagarde, U.S. Federal Reserve Chairman Ben Bernanke, Governor of Italy's Central Bank Mario Draghi, and U.S. Treasury Secretary Tim Geithner arrive for the start of the Group of 20 meeting at International Monetary Fund headquarters in Washington, D.C. on April 23, 2010. (J. Scott Applewhite/AP)

Federal Reserve Chairman Ben Bernanke, left, looks over documents while Italian Central Bank Governor Mario Draghi, center, talks with US Secretary of the Treasury Tim Geithner during the G-20 Meeting of Finance Ministers and Central Bank at the World Bank headquarters in Washington, D.C. on Friday, April 23, 2010. (AP Photo/Cliff Owen)

Mario Draghi (left), Governor of the Banca d'Italia, and European Central Bank President Jean-Claude Trichet attend a Governing Council meeting in Frankfurt, Germany on 2 February 2006.

Jean-Claude Trichet (left), outgoing President of the European Central Bank (ECB), hands over a huge bell to his successor Mario Draghi during a farewell celebration for Trichet at the Alte Oper in Frankfurt am Main, Germany on October 19, 2011. Mario Draghi officially succeeded Trichet as president of the European Central Bank by November 1. (Ralph Orlowski/Getty Images Europe)

Prime Minister of Italy Mario Monti (right) speaks with European Central Bank president Mario Draghi (left) during a meeting of eurozone finance ministers at the EU Council buidling in Brussels on Monday, March 12, 2012. (AP Photo/Virginia Mayo)

A friendly chat with Baron Edmond de Rothschild in Tel Aviv.

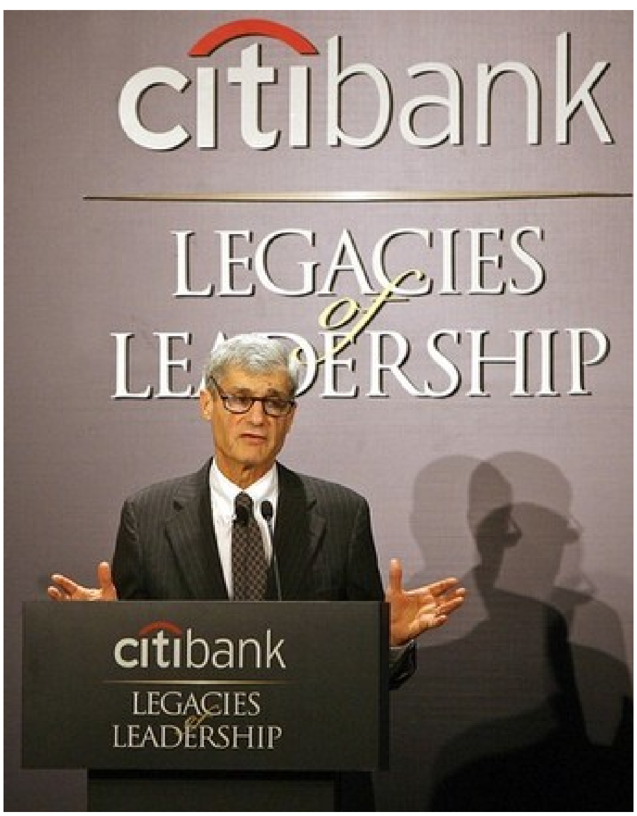
Former Israeli Minister of Defense Moshe Dayan listens to the preeminent French Jewish banker Baron Edmond de Rothschild during their meeting in Tel Aviv, Israel. Baron Edmond de Rothschild was a member of the Trilateral Commission; his grandfather was Edmond de Rothschild, the "father of modern Israel."

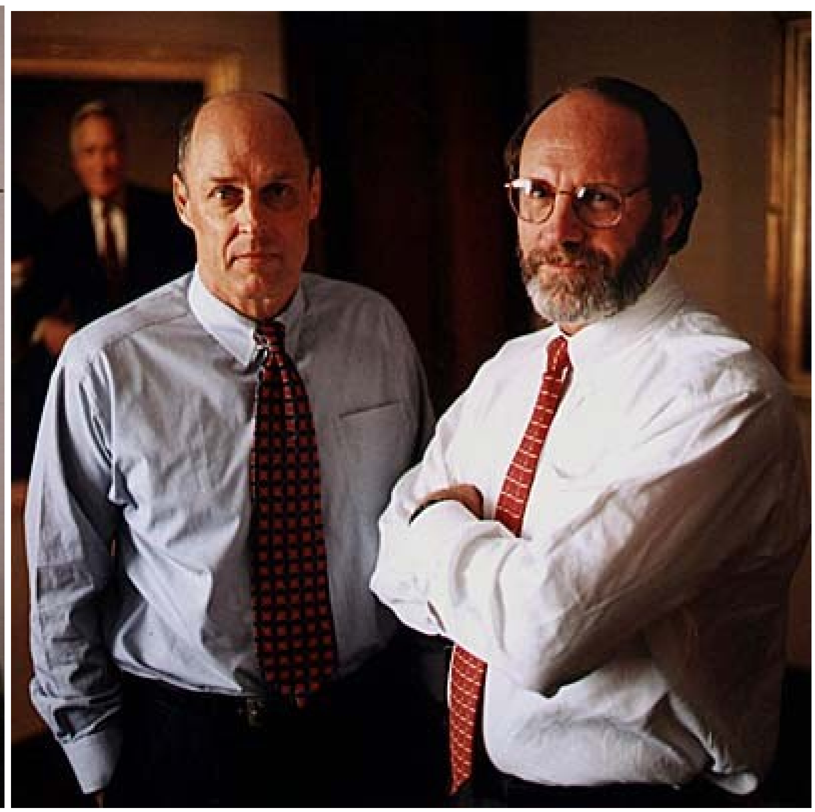
From left to right: Douglas Dillon, Robert E. Christie Jr., Paul Nitze, and Dillon, Read & Co. partner Clarence Dillon prepare to attend a banking and currency hearing in Washington D.C. on October 4, 1933. Douglas Dillon would serve as President John F. Kennedy's Treasury Secretary. Paul Nitze would serve as Secretary of the Navy under President Lyndon B. Johnson. Douglas Dillon, Paul Nitze, and Clarence Dillon were members of the Council on Foreign Relations. (Photo: *From Hiroshima to Glasnost* by Paul H. Nitze)

PHOTO: ROBYN TWOMEY

American businessman Warren Buffett (left) appears with Lloyd C. Blankfein, the Chairman and CEO of Goldman Sachs. (Photo: http://postcards.blogs.fortune.cnn.com/tag/lloyd-blankfein/)

John Reed, left, and Sanford Weill, center, then the chief executives of Citigroup, welcome Robert Rubin to the Citi board in 1999. He became chairman of the executive committee, but only last year did it begin to meet frequently. (Richard Drew/Associated Press)





Left photo: Robert Rubin, the former U.S. Treasury Secretary, speaks at a luncheon in Hong Kong on November 14, 2006. Rubin was speaking to an audience of bankers as part of Citibank's "Legacies of Leadership" seminar series. (Mike Clarke/AFP/Getty Images)

Right photo: Goldman Sachs bankers Henry Paulson (left) and Jon S. Corzine, the current Governor of New Jersey, pose at the Goldman Sachs headquarters in New York City in this Monday, June 15, 1998, file photo. (Associated Press)

Former President of Federal Reserve Bank of New York E. Gerald Corrigan (left) and (former?) President of the World Bank James Wolfensohn (right) celebrate as former Federal Reserve Chairman Paul Volcker holds a plaque. All three men are members of the Bretton Woods Committee. Wolfensohn and Volcker are members of the Council on Foreign Relations; Corrigan was a member of the Council on Foreign Relations.

Michael Bloomberg (left), President of the World Bank James Wolfensohn (center), and Vernon Jordan hold an award given to Wolfensohn at the United Nations Ambassadors Dinner in New York City on October 26, 2000. (Photo by Chris Hondros/Newsmakers)

Stephen Schwarzman and Bruce Wasserstein meet together in October 2008. Both men are members of the Council on Foreign Relations. Stephen Schwarzman is a member of Skull & Bones at Yale University.

Left to right: JP Morgan Chase Chairman and CEO James Dimon, Lazard Freres Senior Managing Director Vernon E. Jordan Jr., New York City Mayor Michael Bloomberg, and American Express Co. Chairman and CEO Kenneth Chenault. All four men are members of the Council on Foreign Relations. (Photo: New York Social Diary)

Jamie Dimon (center), Chairman and CEO of JPMorgan Chase bank, talks with Lloyd Blankfein (left), Chairman and CEO Goldman Sachs bank, and Bank of America CEO Brian Moynihan before testimony in front of the Financial Crisis Inquiry Commission in Washington, D.C. on January 13, 2010. (Reuters)

JPMorgan Chase Chairman and CEO Jamie Dimon (R) talks with Goldman Sachs Chairman and CEO Lloyd Blankfein before testifying in front of the Financial Crisis Inquiry Commission in Washington, D.C. on January 13, 2010. Jamie Dimon and Lloyd Blankfein are members of the Council on Foreign Relations. (Reuters)

From left to right, Lloyd Blankfein, Chairman and CEO of Goldman Sachs Group, Jamie Dimon, Chairman and CEO of JPMorgan Chase, John Mack, Chairman of Morgan Stanley, and Brian Moynihan, CEO of Bank of America are sworn in before their testimony at the Financial Crisis Inquiry Commission (FCIC) and its first public hearing in Washington, D.C. on January 13, 2010. (Reuters)


Lloyd Blankfein, (L), Chairman and CEO of Goldman Sachs Group, testifies before the Financial Crisis Inquiry Commission in Washington, D.C. on January 13, 2010. Jamie Dimon, (2L), Chairman and CEO of JPMorgan Chase, John Mack, (3L), Chairman of Morgan Stanley, and Brian Moynihan, (R), CEO of Bank of America, await their turn to speak before the commission. (Reuters)

British Prime Minister David Cameron (3rd L) meets with (From L) H. Furlong Baldwin, Chairman of NASDAQ OMX; Jamie Dimon, Chairman and CEO of JP Morgan Chase; Bob Kelly, Chairman and CEO of Bank of New York Mellon; James Gorman, Chairman and CEO of Morgan Stanley; and Nigel Sheinwald, British Ambassador to the U.S., at the NASDAQ market in New York City on July 21, 2010. (Reuters)


Lloyd Blankfein (center), Chairman and CEO of Goldman Sachs; Steve Ballmer (left), CEO of Microsoft; and David Rubenstein (right), founder of the Carlyle Group, attend a meeting of business leaders with U.S. President Barack Obama and Communist China's President Hu Jintao in the Eisenhower Executive Office Building at the White House in Washington, D.C. on January 19, 2011. Lloyd Blankfein and David Rubenstein are members of the Council on Foreign Relations. (Reuters)

Charles Prince (left), former Chairman of the board of Citigroup, and Robert Rubin, former chairman of the board of Citigroup and former Partner of Goldman Sachs, are sworn in at the Financial Crisis Inquiry Commission hearing on Capitol Hill in Washington, D.C. on April 8, 2010. Prince apologized for Citigroup’s failure to prepare for the financial crisis, at the same time as he defended the third-largest American bank's size and conglomerate nature. Charles Prince and Robert Rubin are members of the Council on Foreign Relations. (Reuters)

Chuck Prince (left), former chairman of the board and CEO at Citigroup Inc. and Robert Rubin, former chairman of the Executive Committee of the Board of Directors at Citigroup Inc., talk prior to testifying before the Financial Crisis Inquiry Commission on Capitol Hill in Washington, DC on April 8, 2010. The inquiry commission is investigating the causes, including subprime lending, that lead to the global financial collapse that began in the fall of 2008. (Photo: Chip Somodevilla/Getty Images North America)

Lloyd Blankfein, the Chairman and CEO of Goldman Sachs banking firm in New York City, testifies before the Senate Homeland Security and Governmental Affairs Investigations Subcommittee hearing on "Wall Street and the Financial Crisis: The Role of Investment Banks" on Capitol Hill in Washington, D.C. on April 27, 2010. (Reuters)

Jamie Dimon (left), chairman of the board of JP Morgan Chase bank, and Lloyd Blankfein, chairman of the board of Goldman Sachs bank, leave the White House after they met with U.S. President Barack Obama on March 27, 2009.

George Soros, chairman of Soros Fund Management LLC, is sworn in to testify before a U.S. House Oversight and Government Reform Committee hearing on the regulation of hedge funds, on Capitol Hill in Washington, D.C. on November 13, 2008. (Reuters)

Soros Fund Management Chairman George Soros testifies on Capitol Hill in Washington, D.C. on November 13, 2008, before the House Oversight and Government Reform hearing on "Hedge Funds and the Financial Market". (AP Photo)

European Central Bank President Jean-Claude Trichet attends a joint news conference following a summit to discuss the international financial crisis at the Elysee Palace in Paris on October 4, 2008. European leaders vowed at the start of an emergency summit on Saturday to do what they could to fend off a financial crisis that snowballed out of Wall Street and is now hitting banks in Europe. (Reuters)

European Central Bank (ECB) President Jean-Claude Trichet gestures as he gives a press conference on in Frankfurt am Main, Germany on August 7, 2008. (AFP/Getty Images)

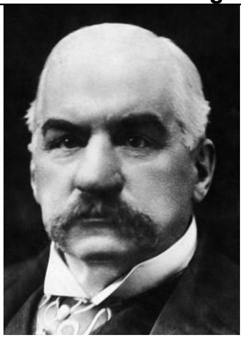
"Permit me to issue and control the money of a nation, and I care not who makes its laws."
– Amschel Mayer Rothschild (1773-1855), in 1838

Federal Reserve Chairman Ben Bernanke (center) poses with Governor of the Bank of England Sir Mervyn Allister King (left) and European Central Bank President Jean-Claude Trichet for a photo during the G7 meeting in Tokyo, Japan on February 9, 2008. All three men have attended the Bilderberg Meetings at least once. (Reuters)

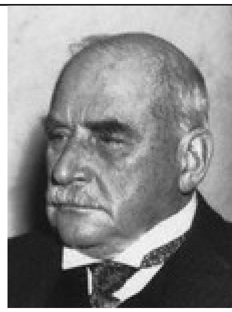
Federal Reserve Chairman Sir Alan Greenspan (center) meets with the President of the European Central Bank Jean-Claude Trichet (right) and Governor of the Bank of England Sir Mervyn Allister King at the beginning of the G20 finance ministers and central bank governors' meeting in Berlin on November 19, 2004. All three men have attended the Bilderberg Meetings. (Photo by Sean Gallup/Getty Images)

Prominent International Bankers & Financiers

Partners of J.P. Morgan & Co.:



John Pierpont Morgan Sr.
Founding Partner of J.P. Morgan & Co.



J.P. "Jack" Morgan Jr.
Chairman of the board of J.P. Morgan & Co., Inc. (1913-1943)

Henry P. Davison
Former Partner of J.P. Morgan & Co.

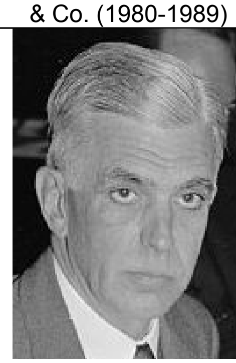
Lewis T. Preston
Chairman of J.P. Morgan & Co. (1980-1989)

Dennis Weatherstone
Chairman of J.P. Morgan & Co. (1990-1995)

Thomas W. Lamont
Partner of J.P. Morgan & Co. (1911-1948)

Russell C. Leffingwell
Partner of J.P. Morgan & Co. (1923-1950)

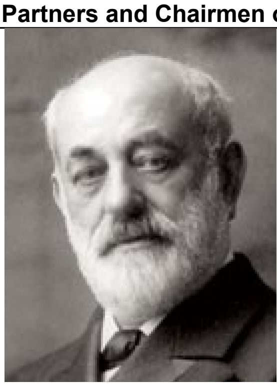
George Whitney
Partner of J.P. Morgan & Co. (1920-1955)



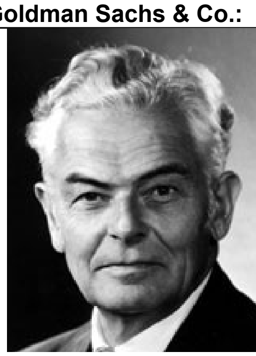
Harold Stanley
Partner of J.P. Morgan & Co. (1928-1935)

Henry S. Morgan
Partner of J.P. Morgan & Co. (1928-1935)

Partners and Chairmen of Goldman Sachs & Co.:



Marcus Goldman
Founder and Partner of Goldman, Sachs & Co. (1869-1904)



Charles E. Saltzman
Partner of Goldman, Sachs & Co. (1956-1973)

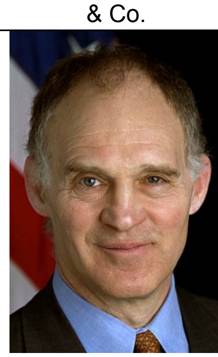
John L. Weinberg
Partner (1956-1990) and Senior Chairman (1990-2001) of Goldman, Sachs & Co.

Henry H. Fowler
Partner of Goldman, Sachs & Co. (1969-1981); Secretary of the Treasury (1965-1968)

John C. Whitehead
Partner of Goldman, Sachs & Co. (1955-1984)

John L. Thornton
President of Goldman Sachs & Co. (1999-2003)

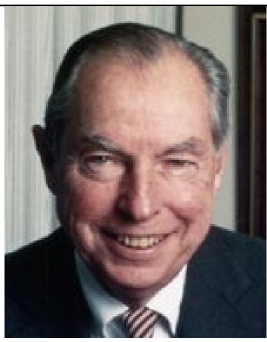
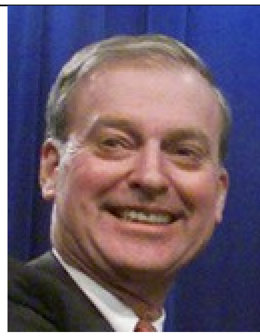
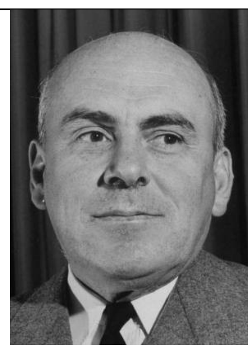
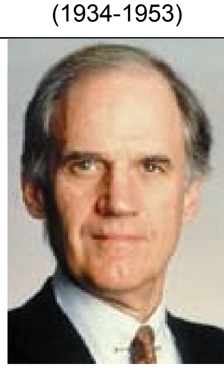
Robert E. Rubin
Partner of Goldman, Sachs & Co. (1971-1992); Secretary of the Treasury (1995-1999)

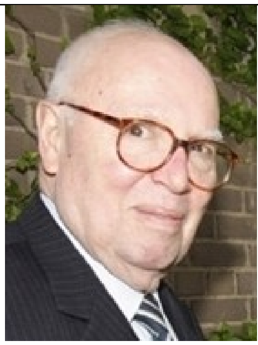
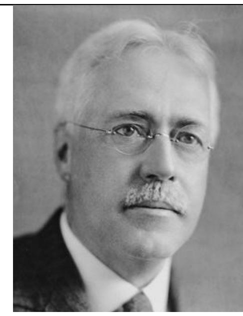
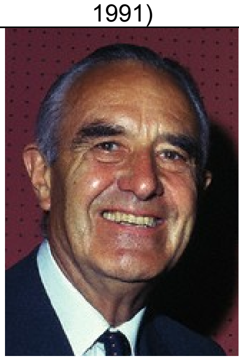
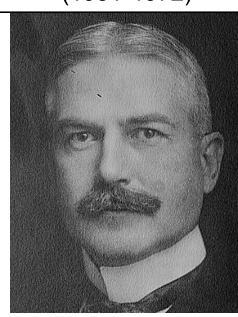
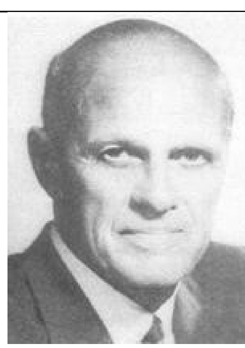
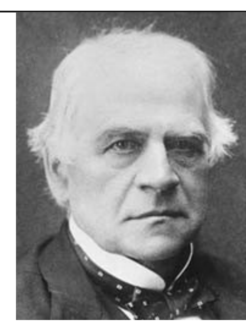


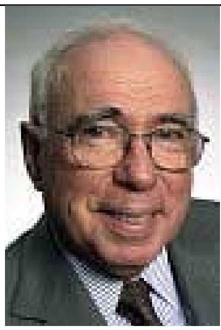
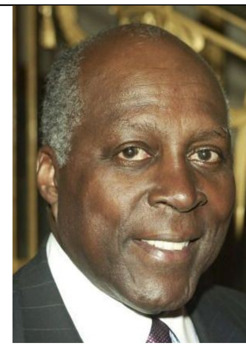
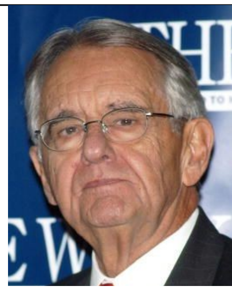
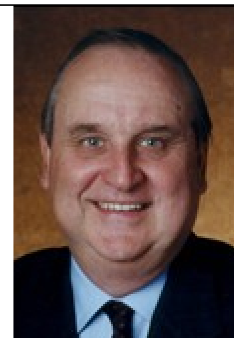
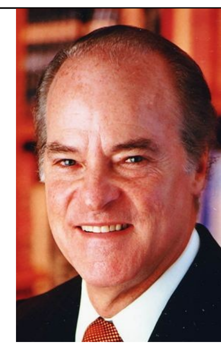
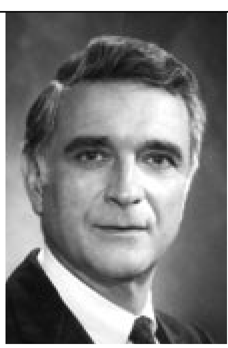
Stephen Friedman
Partner of Goldman, Sachs & Co. (1973-1992); Chairman of Goldman Sachs & Co. (1990-1994)

Henry M. Paulson Jr.
Chairman and CEO of Goldman Sachs (1999-2006); Secretary of the Treasury (2006-2009)

Lloyd C. Blankfein
Chairman and CEO of Goldman Sachs (2006-present)

 Charles E. Mitchell Chairman of the board of National City Bank of New York (1929-1933)	 James H. Perkins Chairman of the board of National City Bank of New York (1933-1940)	 Gordon S. Rentschler Chairman of the board of National City Bank of New York (1940-1948)	 William G. Brady Jr. Chairman of the board of National City Bank of New York (1948-1952)	 Howard C. Sheperd Chairman of the board of National City Bank of New York (1952-1959)
 Walter B. Wriston Chairman of Citibank (1970-1984)	 John S. Reed Chairman and CEO of Citibank (1984-1998)	 Sanford I. Weill Chairman (1998-2006) and CEO (1998-2003) of Citigroup	 Charles O. Prince III Chairman (2006-2007) and CEO (2004-2007) of Citigroup	 Richard D. Parsons Chairman of the board of Citigroup (2009-2012)
 Albert H. Wiggin Chairman of the board of Chase National Bank (1918-1930)	 Winthrop W. Aldrich Chairman of the board of Chase National Bank (1934-1953)	 John J. McCloy Chairman of the board of Chase Manhattan Bank (1955-1961)	 George Champion Chairman of the board of Chase Manhattan Bank (1961-1969)	 Willard C. Butcher Chairman and CEO of Chase Manhattan Bank (1981-1990)
 David Rockefeller Chairman and CEO of Chase Manhattan Bank (1969-1981)	 William B. Harrison Jr. Chairman and CEO of JP Morgan Chase (2001-2006)	 Jamie Dimon Chairman of CEO of JP Morgan Chase (2007-present)	 C. Douglas Dillon Chairman of the board of Dillon, Read & Co. (1946-1953)	 Nicholas F. Brady Chairman and CEO of Dillon, Read & Co. (1982-1988); Secretary of the Treasury (1988-1993)

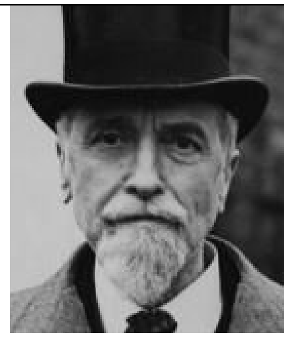
 John H. Gutfreund Chairman of the board and CEO of Salomon Brothers, Inc. (1981-1991)	 Walter V. Shipley Chairman of the board of Chemical Bank (1983-1991, 1994-1996)	 John P. Birkelund Chairman and CEO of Dillon, Read & Co. (1988-1993); Chairman of SBC Warburg Dillon Read Inc. (1994-1997)	 Frank A. Vanderlip President of National City Bank [New York City] (1909-1919)	 Robert H.B. Baldwin Partner of Morgan Stanley & Co. (1958-1965, 1967-1975)
 W. Averell Harriman B.A. Yale 1913 Partner of Brown Brothers Harriman & Co. (1931-1946)	 Robert A. Lovett B.A. Yale 1918 Partner of Brown Brothers Harriman & Co. (1931-1940, 1946-1947, 1949-1950, 1953-1986)	 Prescott S. Bush B.A. Yale 1917 Partner of Brown Brothers Harriman & Co. (1931-1972)	 E. Roland Harriman B.A. Yale 1917 Partner of Brown Brothers Harriman & Co. (1931-1978)	 Knight Woolley B.A. Yale 1917 Partner of Brown Brothers Harriman & Co. (1931-1982)
 Pierre Jay B.A. Yale 1892 Chairman of the board of Fiduciary Trust Company (1930-1945)	 Artemus L. Gates B.A. Yale 1918 President of New York Trust Co. (1929-1941)	 Samuel R. Bertron B.A. Yale 1885 President of Bertron, Griscom & Company, Inc., international financiers (1912-1938)	 Thomas Cochran B.A. Yale 1894 Partner of J.P. Morgan & Co. (1917-1936)	 S. Parker Gilbert Jr. Partner of J.P. Morgan & Co. (1931-1938)
 Robert V. Roosa Partner of Brown Brothers Harriman & Co. (1965-1993)	 George S. Moore Chairman of the board of First National City Bank of New York (1967-1970)	 Henry C. Alexander Chairman of Morgan Guaranty Trust Co. of New York (1959-1965)	 Thomas S. Gates Jr. Chairman of Morgan Guaranty Trust Co. of New York (1965-1970)	 Junius Spencer Morgan Partner of George Peabody & Company [later renamed J.S. Morgan & Co.] in London

 Felix G. Rohatyn General Partner of Lazard Freres & Co. (1960-1997); U.S. Ambassador to France (1997-2000)	 Bruce Wasserstein Chairman and CEO of Lazard Freres [bank] (2001-2009)	 Kenneth M. Jacobs Chairman and CEO of Lazard (2009-present)	 Vernon E. Jordan Jr. Senior Managing Director of Lazard Freres (2000-present)	 Franklin D. Raines Partner of Lazard Freres & Co. (1985-1991); Chairman and CEO of Fannie Mae (1999-2004)
 George W. Ball Senior Partner of Lehman Brothers (1969-1982)	 Peter G. Peterson Chairman and CEO of Lehman Brothers (1973-1984)	 Richard S. Fuld Jr. Chairman and CEO of Lehman Brothers (1994-2008)	 Arthur F. Ryan Chairman and CEO of Prudential Financial (1994-2008)	 E. Stanley O'Neal Chairman and CEO of Merrill Lynch & Co. (2003-2007)
 Franco Bernabe Former Vice Chairman of Rothschild Europe	 Peter D. Sutherland Chairman of Goldman Sachs International	 J. Martin Taylor Chief Executive of Barclays plc (1993-1998)	 Marcus Agius Chairman, Barclays Bank plc (2007-2012)	 Henry R. Kravis Founding Partner of Kohlberg Kravis Roberts & Co. [New York City] (1987-present)
 Frank G. Zarb General Partner of Lazard Freres & Co. (1977-1988)	 Jules S. Bache Head of J.S. Bache & Co. [banking firm in New York City] (1892-1944)	 Donald B. Marron Chairman and CEO of PaineWebber Inc. [now part of UBS] (1980-2000)	 James D. Robinson III Chairman and CEO of American Express Co. (1977-1993)	 Kenneth I. Chenault Chairman and CEO of American Express Co. (2001-present)

Heads of Central Banks

Thomas H. McKittrick
President of the Bank for International Settlements (1940-1946)

Hjalmar Schacht
President of the Reichsbank (1923-1930, 1933-1939)



Montagu C. Norman
Governor of the Bank of England (1920-1944)

Sir Mervyn Allister King
Governor of the Bank of England (2003-2013)

Mark J. Carney
Governor of the Bank of England (2013-present); Governor of the Bank of Canada (2008-2013)

Jean-Claude Trichet
President of European Central Bank (2003-2011); Governor of Banque de France (1993-2003)

Mario Draghi
President of European Central Bank (2011-pres.); Governor of Banca d'Italia (2006-2011)

Karl Otto Pohl
[Germany]
President of the Deutsche Bundesbank (1980-1991)

Carlo A. Ciampi
Governor of Banca d'Italia (1979-1993)

William McC. Martin Jr.
Chairman of the Federal Reserve (1951-1970)

Benjamin Strong
President of the Federal Reserve Bank of New York (1914-1928)

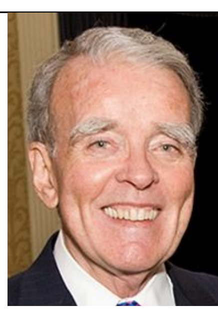
George L. Harrison
President of the Federal Reserve Bank of New York (1928-1940)

Allan Sproul
President of the Federal Reserve Bank of New York (1941-1956)

Alfred Hayes
President of the Federal Reserve Bank of New York (1956-1975)

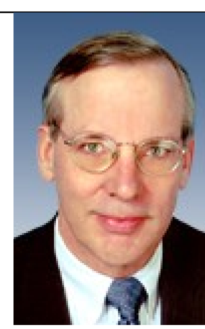
Paul Adolph Volcker
Chairman of the Federal Reserve (1979-1987); President of the Federal Reserve Bank of New York (1975-1979)

E. Gerald Corrigan
President of the Federal Reserve Bank of New York (1985-1993)



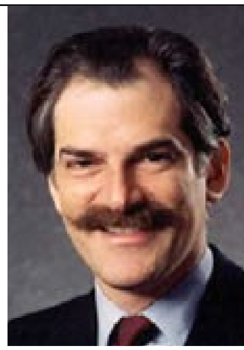
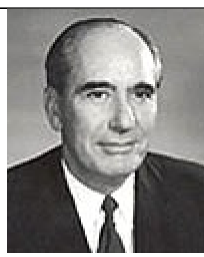
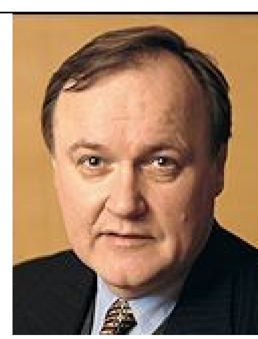
William J. McDonough
President of the Federal Reserve Bank of New York (1993-2003)

Timothy F. Geithner
President of the Federal Reserve Bank of New York (2003-2009); Secretary of the Treasury (2009-2013)

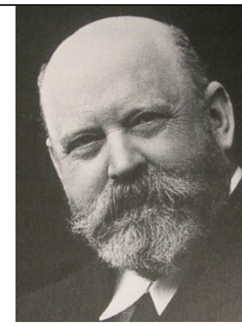
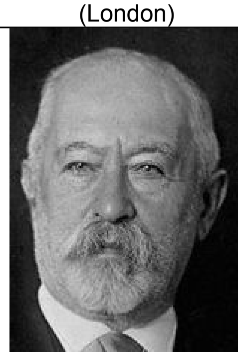
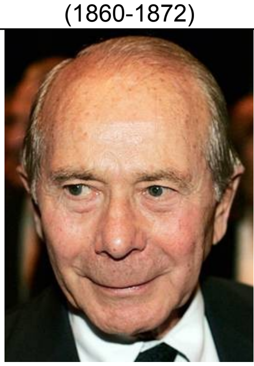


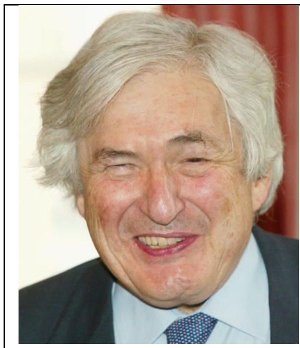
William C. Dudley
President of the Federal Reserve Bank of New York (2009-present)

Michael H. Moskow
President of the Federal Reserve Bank of Chicago (1994-2007)

 Christine Lagarde Managing Director of the International Monetary Fund (2011-present)	 John P. Lipsky First Deputy Managing Director of International Monetary Fund (2006-2011)	 Anne O. Krueger First Deputy Managing Director of the International Monetary Fund (2001-2006)	 Richard D. Erb Deputy Managing Director of the International Monetary Fund (1984-1994)	 Luc Coene Governor, National Bank of Belgium; Director of Bank for International Settlements (2011-pres.)
 Per Jacobbson Managing Director of IMF (1956-1963)	 Pierre-Paul Schweitzer Managing Director of IMF (1963-1973)	 Jacques de Larosiere Managing Director of IMF (1978-1987)	 Rodrigo de Rato Managing Director of IMF (2004-2007)	 Dominique Strauss-Kahn Managing Director of IMF (2007-2011)
 Eugene R. Black President of The World Bank (1949-1962)	 George D. Woods President of The World Bank (1963-1968)	 Robert S. McNamara President of The World Bank (1968-1981)	 A.W. Clausen President of The World Bank (1981-1986)	 Barber B. Conable President of The World Bank (1986-1991)
 Jelle Zijlstra Chairman of the Board and President of the Bank for International Settlements (1967-1981)	 Willem F. Duisenberg Chairman of the Board and President of the Bank for International Settlements (1988-1990, 1994-1997)	 Alfons Verplaetse Chairman of the Board and President of the Bank for International Settlements (1997-1999)	 Urban Bäckström Chairman of the Board and President of the Bank for International Settlements (1999-2002)	 A.H.E.M. “Nout” Wellink Chairman of the Board and President of the Bank for International Settlements (2002-2006)

International Jewish Bankers & Financiers

 Evelyn de Rothschild [Great Britain] former Chairman of N.M. Rothschild & Sons (London)	 Edmond de Rothschild (younger) [France] Jewish banker	 Guy de Rothschild	 Jacob Rothschild	 Sir Siegmund Warburg [Great Britain] Jewish banker
 Mayer Amschel Rothschild	 Lionel Nathan Rothschild	 Nathan Meyer Rothschild Founder of N.M. Rothschild & Sons (London)	 Edmond de Rothschild (elder) financier of the Zionist movement	 Lord Walter Rothschild
 August Belmont Sr. Rothschild agent and Civil War financier; Chairman of the Democratic National Committee (1860-1872)	 Joseph Seligman New York City financier during the Civil War	 Jacob H. Schiff Partner of Kuhn, Loeb & Co. [bank in New York City] and Bolshevik Revolution financier	 Paul M. Warburg Vice Chairman of the Federal Reserve (1916-1918); Partner of Kuhn, Loeb & Co.	 Max M. Warburg Head of M.M. Warburg & Co. [banking firm in Hamburg, Germany]
 Maurice R. Greenberg Chairman and CEO of American International Group (1989-2005)	 Seymour "Sy" Sternberg Chairman and CEO of New York Life Insurance Co. (1997-2008)	 David M. Rubenstein Founder of the Carlyle Group	 Stephen A. Schwarzman Chairman and CEO of The Blackstone Group (1985-present)	 Bernard Baruch Chairman of the War Industries Board (1918-1919) under U.S. President Woodrow Wilson



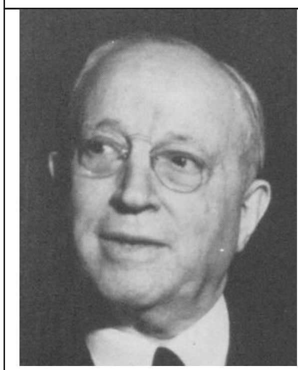
James D. Wolfensohn
President of the World
Bank (1995-2005)

Robert B. Zoellick
President of The World
Bank (2007-2012)

Jacob Frenkel
Governor of the Bank of
Israel (1991-2000)

Stanley Fischer
Governor of the Bank of
Israel (2005-2013)

George Soros
Chairman of Soros Fund
Management (1996-pres.)



Eugene Meyer
Chairman of the Federal
Reserve (1930-1933)

Arthur Frank Burns
Chairman of the Federal
Reserve (1970-1978)

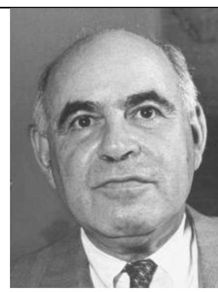
Sir Alan Greenspan
Chairman of the Federal
Reserve (1987-2006)

Ben Shalom Bernanke
Chairman of the Federal
Reserve (2006-2014)

Anthony M. Solomon
President of the Federal
Reserve Bank of New
York (1980-1984)

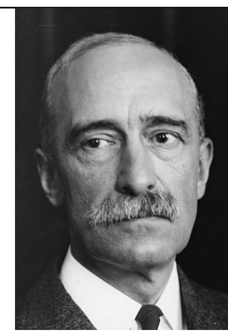
George Blumenthal
Partner of Lazard Freres
& Co. (1893-1904);
Senior Partner of Lazard
Freres & Co. (1904-1925)

Frank Altschul
Partner of Lazard Freres
& Co. (1916-1945)



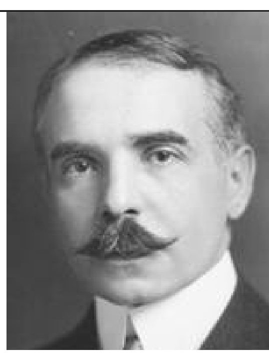
Herbert H. Lehman
Partner of Lehman
Brothers (1908-1914,
1919-1928)

Robert Lehman
Partner of Lehman
Brothers (1925-1969)



Albert Strauss
Vice Chairman of the
Federal Reserve
(1918-1920)

Felix Warburg
Partner of Kuhn, Loeb &
Co. (1896-1937)



Otto H. Kahn
Partner of Kuhn, Loeb &
Co. (1897-1934)

Mortimer L. Schiff
Partner of Kuhn, Loeb, &
Co. (1900-1931)

Frederick M. Warburg
Partner of Kuhn, Loeb &
Co. (1931-1973)

Benjamin J. Buttenwieser
Partner of Kuhn, Loeb &
Co. (1932-1977)

International Bankers and Financiers

International Bankers:
John Pierpont Morgan Sr. – Founding Partner of J.P. Morgan & Co.
John Pierpont "Jack" Morgan Jr. – Chairman of the board of J.P. Morgan & Co., Inc. (1913-1943)
Henry P. Davison – Former Partner of J.P. Morgan & Co.
Thomas W. Lamont (CFR) – Partner of J.P. Morgan & Co. (1911-1948); Chairman of J.P. Morgan & Co. (1943-1948)
Russell C. Leffingwell (CFR) – Partner of J.P. Morgan & Co. (1923-1950); Chairman of J.P. Morgan & Co. (1948-1950)
George Whitney (CFR) – Partner of J.P. Morgan & Co. (1920-1955); Chairman of J.P. Morgan & Co. (1950-1955)
Harold Stanley (CFR, S&B) – Partner of J.P. Morgan & Co. (1928-1935); President of Morgan, Stanley & Co. (1935-1941)
Henry S. Morgan – Partner of J.P. Morgan & Co. (1928-1935)
Lewis T. Preston (CFR) – Chairman of J.P. Morgan & Co. [Morgan Guaranty Trust Co. of New York] (1980-1989)
Dennis Weatherstone (CFR) – Chairman of J.P. Morgan & Co. [Morgan Guaranty Trust Co. of New York] (1990-1995)

Marcus Goldman – Founder and Partner of Goldman, Sachs & Co. (1869-1904)
Charles E. Saltzman (CFR, RS) – Partner of Goldman, Sachs & Co. (1956-1973)
John L. Weinberg (CFR) – Partner of Goldman, Sachs & Co. (1956-1990); Senior Chairman of Goldman, Sachs & Co. (1990-2001)
Henry H. Fowler (CFR) – Partner of Goldman, Sachs & Co. (1969-1981); Secretary of the Treasury (1965-1968)
John C. Whitehead (CFR, TC, BM) – Partner of Goldman, Sachs & Co. (1955-1984)
John L. Thornton (CFR, BM) – President of Goldman Sachs & Co. (1999-2003)
Robert E. Rubin (CFR, BM) – Partner of Goldman, Sachs & Co. (1971-1992); Secretary of the Treasury (1995-1999); Chairman of the board of Citigroup (2007); Co-Chairman of the Council on Foreign Relations (2007-present)
Stephen Friedman (CFR, TC, BM) – Partner of Goldman, Sachs & Co. (1973-1992); Chairman of Goldman Sachs & Co. (1990-1994)
Henry M. Paulson Jr. (CFR, BM) – Chairman and CEO of Goldman Sachs (1999-2006); Secretary of the Treasury (2006-2009)
Lloyd C. Blankfein (CFR, BM) – Chairman and CEO of Goldman Sachs (2006-present)

Charles E. Mitchell (CFR) – Chairman of the board of National City Bank of New York (1929-1933)
James H. Perkins (CFR) – Chairman of the board of National City Bank of New York (1933-1940)
Gordon S. Rentschler (CFR) – Chairman of the board of National City Bank of New York (1940-1948)
William G. Brady Jr. (CFR) – Chairman of the board of National City Bank of New York (1948-1952)
Howard C. Sheperd (CFR) – Chairman of the board of National City Bank of New York (1952-1959)
Walter B. Wriston (CFR, BM) – Chairman of Citibank/Citicorp (1970-1984)
John S. Reed (CFR, BM) – Chairman and CEO of Citibank (1984-1998)
Sanford I. Weill (CFR) – Chairman (1998-2006) and CEO (1998-2003) of Citigroup
Charles O. Prince III (CFR) – Chairman (2006-2007) and CEO (2004-2007) of Citigroup
Richard D. Parsons (CFR) – Chairman of the board of Citigroup (2009-2012)

Albert H. Wiggin (CFR) – Chairman of the board of Chase National Bank (1918-1930)
Winthrop W. Aldrich (CFR) – Chairman of Chase National Bank (1934-1953); U.S. Ambassador to Great Britain (1953-1957)
John McCloy (CFR, BM) – Chairman of Chase Manhattan Bank (1955-1961); President of the World Bank (1947-1949)
George Champion (CFR) – Chairman of the board of Chase Manhattan Bank (1961-1969)
David Rockefeller (CFR, TC, BM, BC) – Chairman and CEO of Chase Manhattan Bank (1969-1981)
Willard C. Butcher (CFR) – Chairman and CEO of Chase Manhattan Bank (1981-1990)
William B. Harrison Jr. (CFR) – Chairman and CEO of JP Morgan Chase (2001-2006)
Jamie Dimon (CFR, TC) – Chairman of CEO of JP Morgan Chase (2007-present)
C. Douglas Dillon (CFR, BM) – Chairman of the board of Dillon, Read & Co. (1946-1953); U.S. Secretary of the Treasury (1961-1965)
Nicholas F. Brady (CFR, BM) – Chairman and CEO of Dillon, Read & Co. (1982-1988); Secretary of the Treasury (1988-1993)

John H. Gutfreund (CFR) – Chairman of the board and CEO of Salomon Brothers, Inc. (1981-1991)
Walter V. Shipley (CFR, TC) – Chairman of the board of Chemical Bank (1983-1991, 1994-1996)
John P. Birkelund (CFR) – Chairman and CEO of Dillon, Read & Co. (1988-1993); Chairman of SBC Warburg Dillon Read Inc. (1994-1997)
Frank A. Vanderlip – President of National City Bank [New York City] (1909-1919); Chairman of the Economic Club of New York (1916-1918)
Robert H.B. Baldwin (CFR) – President of Morgan Stanley & Co. (1973-1982); Partner of Morgan Stanley & Co. (1958-1965, 1967-1975)

Averell Harriman (CFR, S&B) – Partner of Brown Brothers Harriman & Co. (1931-1946); U.S. Ambassador to Soviet Union (1943-1946); U.S. Secretary of Commerce (1946-1948); Governor of New York (1955-1958)
Robert A. Lovett (CFR, S&B) – Partner of Brown Brothers Harriman & Co. (1931-1940, 1946-1947, 1949-1950, 1953-1986); U.S. Secretary of Defense (1951-1953)
Prescott S. Bush (S&B) – Partner of Brown Brothers Harriman & Co. (1931-1972); U.S. Senator (1952-1963)
E. Roland Harriman (CFR, S&B) – Partner of Brown Brothers Harriman & Co. (1931-1978)
Knight Woolley (CFR, S&B) – Partner of Brown Brothers Harriman & Co. (1931-1982)

Pierre Jay (CFR, S&B) – Chairman of the board of Fiduciary Trust Company (1930-1945)
Artemus L. Gates (CFR, S&B) – President of New York Trust Co. (1929-1941)
Samuel R. Bertron (CFR, S&B) – President of Bertron, Griscom & Company, Inc., international financiers (1912-1938)
Thomas Cochran (S&B) – Partner of J.P. Morgan & Co. (1917-1936)
S. Parker Gilbert Jr. (CFR) – Partner of J.P. Morgan & Co. (1931-1938)
Robert V. Roosa (CFR, TC, BM, RS) – Partner of Brown Brothers Harriman & Co. (1965-1993)
George S. Moore (CFR) – Chairman of the board of First National City Bank of New York (1967-1970)
Henry C. Alexander (CFR) – Chairman of Morgan Guaranty Trust Co. of New York (1959-1965)
Thomas S. Gates Jr. (CFR) – Chairman of Morgan Guaranty Trust Co. of New York (1965-1970)
Junius Spencer Morgan – Partner of George Peabody & Company [later renamed J.S. Morgan & Co.] in London; father of J.P. Morgan Sr.

Felix G. Rohatyn (CFR, TC) – General Partner of Lazard Freres & Co. (1960-1997); U.S. Ambassador to France (1997-2000)
Bruce Wasserstein (CFR) – Chairman and CEO of Lazard Freres (2001-2009)
Kenneth M. Jacobs (BM) – Chairman and CEO of Lazard (2009-present)
Vernon E. Jordan, Jr. (CFR, TC, BM) – Senior Managing Director of Lazard Freres (2000-present)
Franklin D. Raines (CFR, TC, BM, RS) – Partner of Lazard Freres & Co. (1985-1991); Chairman and CEO of Federal National Mortgage Association [Fannie Mae] (1999-2004)

George W. Ball (CFR, TC, BM) – Senior Partner of Lehman Brothers (1969-1982); Under U.S. Secretary of State (1961-1966)
Peter G. Peterson (CFR, TC, BM) – Chairman and CEO of Lehman Brothers (later Lehman Brothers Kuhn Loeb & Co.) (1973-1984); Chairman of the Council on Foreign Relations (1985-2007); U.S. Secretary of Commerce (1972-1973)
Richard S. Fuld Jr. (CFR) – Chairman and CEO of Lehman Brothers (1994-2008)
Arthur F. Ryan (CFR, TC) – Chairman and CEO of Prudential Financial (1994-2008)
E. Stanley O'Neal (CFR) – Chairman and CEO of Merrill Lynch & Co. (2003-2007)
Franco Bernabe (BM) – former Vice Chairman of Rothschild Europe
Peter D. Sutherland (TC, BM) – Chairman of Goldman Sachs International
J. Martin Taylor (TC, BM) – Chief Executive of Barclays plc (1993-1998)
Marcus Agius (BM) – Chairman, Barclays Bank plc (2007-2012)
Henry R. Kravis (CFR, BM) – Founding Partner of Kohlberg Kravis Roberts & Co. (1987-present)
Frank G. Zarb (CFR) – General Partner of Lazard Freres & Co. (1977-1988)
Jules S. Bache (CFR) – Head of J.S. Bache & Co. [banking firm in New York City] (1892-1944)
Donald B. Marron (CFR) – Chairman and CEO of PaineWebber Inc. [now part of UBS] (1980-2000)
James D. Robinson III (CFR, BM) – Chairman and CEO of American Express Co. (1977-1993)
Kenneth I. Chenault (CFR) – Chairman and CEO of American Express Co. (2001-present)

Central Bankers:
Thomas H. McKittrick (CFR) – President of the Bank for International Settlements (1940-1946)
Hjalmar Schacht – President of the Reichsbank (1923-1930, 1933-1939)
Montagu C. Norman – Governor of the Bank of England (1920-1944)
Sir Mervyn Allister King (BM) – Governor of the Bank of England (2003-2013)
Mark J. Carney (BM) – Governor of the Bank of England (2013-present); Governor of the Bank of Canada (2008-2013)
Jean-Claude Trichet (BM) - President of European Central Bank (2003-2011); Governor of Banque de France (1993-2003)
Mario Draghi (BM) – President of European Central Bank (2011-pres.); Governor of Banca d'Italia (2006-2011)
Karl Otto Pohl (BM) – President of the Deutsche Bundesbank (1980-1991)
Carlo A. Ciampi (BM) – Governor of Banca d'Italia (1979-1993)
William McChesney Martin Jr. (CFR) – Chairman of the Federal Reserve (1951-1970)
Benjamin Strong (CFR) – President of the Federal Reserve Bank of New York (1914-1928)
George L. Harrison (CFR, S&B) – President of the Federal Reserve Bank of New York (1928-1940)
Allan Sproul (CFR, BC) – President of the Federal Reserve Bank of New York (1941-1956)
Alfred Hayes (CFR, RS) – President of the Federal Reserve Bank of New York (1956-1975)
Paul A. Volcker (CFR, TC, BM) – Chairman of the Federal Reserve (1979-1987); President of Federal Reserve Bank of New York (1975-1979)
E. Gerald Corrigan (CFR, TC, BM) – President of the Federal Reserve Bank of New York (1985-1993)
William J. McDonough (CFR, TC, BM) – President of the Federal Reserve Bank of New York (1993-2003)
Timothy F. Geithner (CFR, TC, BM) – President of the Federal Reserve Bank of New York (2003-2009); Secretary of the Treasury (2009-2013)
William C. Dudley (CFR, TC) – President of the Federal Reserve Bank of New York (2009-present)
Michael H. Moskow (CFR, BM) – President of the Federal Reserve Bank of Chicago (1994-2007)

Christine Lagarde (BM) – Managing Director of the International Monetary Fund (2011-present)
John P. Lipsky (CFR, BM) – First Deputy Managing Director of International Monetary Fund (2006-2011)
Anne O. Krueger (CFR) – First Deputy Managing Director of the International Monetary Fund (2001-2006)
Richard D. Erb (CFR) – Deputy Managing Director of the International Monetary Fund (1984-1994)
Luc Coene (TC, BM) – Governor, National Bank of Belgium; Director of Bank for International Settlements (2011-present)
Per Jacobbson (BM) – Managing Director of the International Monetary Fund (1956-1963)
Pierre-Paul Schweitzer (BM) – Managing Director of the International Monetary Fund (1963-1973)
Jacques de Larosiere (BM) – Managing Director of the International Monetary Fund (1978-1987); Governor of Banque de France (1987-1993)
Rodrigo de Rato (BM) – Managing Director of the International Monetary Fund (2004-2007)
Dominique Strauss-Kahn (BM) – Managing Director of the International Monetary Fund (2007-2011)
Eugene R. Black (CFR, BM) – President of The World Bank (1949-1962)
George D. Woods (BM) – President of The World Bank (1963-1968)
Robert S. McNamara (CFR, TC, BM) – President of The World Bank (1968-1981)
A.W. Clausen (TC, BM) – President of The World Bank (1981-1986)
Barber B. Conable (CFR, BM) – President of The World Bank (1986-1991)
Jelle Zijlstra (BM) – Chairman of the Board and President of the Bank for International Settlements (1967-1981)
Willem F. "Wim" Duisenberg (BM) – Chairman of the Board and President of the Bank for International Settlements (1988-1990, 1994-1997); President of the Central Bank of Netherlands [De Nederlandsche Bank] (1982-1997)
Alfons Verplaetse (BM) – Chairman of the Board and President of the Bank for International Settlements (1997-1999)
Urban Bäckström (BM) – Chairman of the Board and President of the Bank for International Settlements (1999-2002)
A.H.E.M. "Nout" Wellink (BM) – Chairman of the Board and President of the Bank for International Settlements (2002-2006)

Note:
CFR = Council on Foreign Relations, TC = Trilateral Commission, BM = Bilderberg Meetings, BC = Bohemian Club, S&B = Skull and Bones

Jewish Bankers and Financiers:
Evelyn de Rothschild [Great Britain] (BM) – former Chairman of N.M. Rothschild & Sons (London)
Edmond de Rothschild (younger) [France] (TC, BM) – Jewish banker and financier during the Vietnam War
Guy de Rothschild
Jacob Rothschild – current head of the Rothschild family
Sir Siegmund Warburg [Great Britain] (BM) – Jewish banker
Mayer Amschel Rothschild – founder of the Rothschild dynasty
Lionel Nathan Rothschild
Nathan Meyer Rothschild – Founder of N.M. Rothschild & Sons (London)
Edmond de Rothschild (elder) – financier of the Zionist movement
Lord Walter Rothschild
August Belmont Sr. – Rothschild agent and Civil War financier; Chairman of the Democratic National Committee (1860-1872)
Joseph Seligman – New York City financier during the Civil War
Jacob H. Schiff – Partner of Kuhn, Loeb & Co. [bank in New York City] and Bolshevik Revolution financier
Max M. Warburg – Head of M.M. Warburg & Co. [banking firm in Hamburg, Germany]
Maurice R. Greenberg (CFR, TC, BM, BC) – Chairman and CEO of American International Group (1989-2005)
Seymour “Sy” Sternberg (CFR) – Chairman and CEO of New York Life Insurance Co. (1997-2008)
David M. Rubenstein (CFR, TC) – Founder of the Carlyle Group
Stephen A. Schwarzman (CFR, S&B) – Chairman and CEO of The Blackstone Group (1985-present)
Bernard Baruch – Chairman of the War Industries Board (1918-1919) under U.S. President Woodrow Wilson; Democratic Party financier

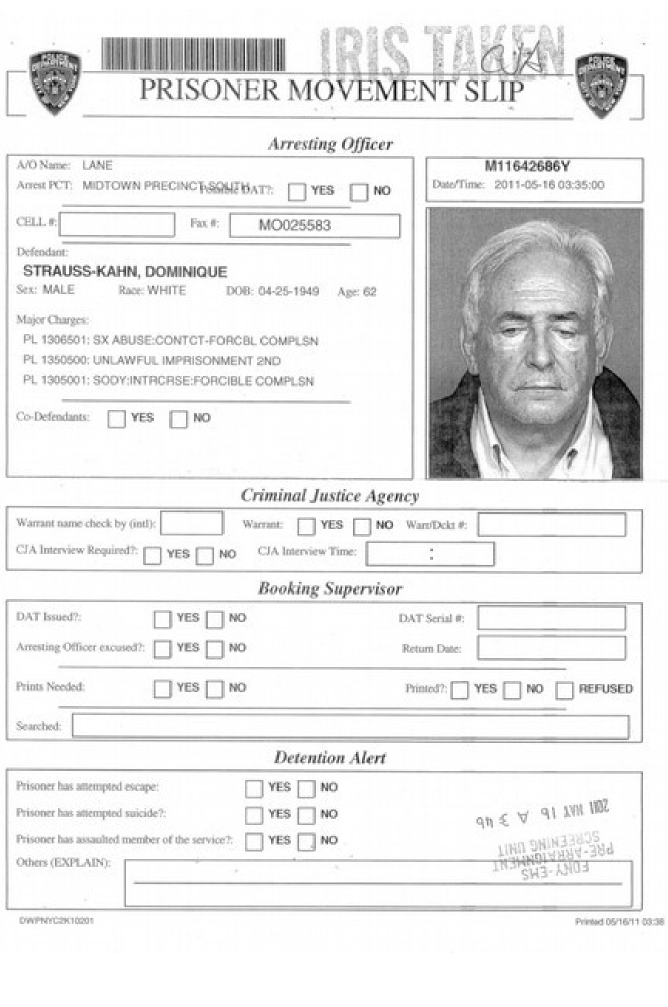
James D. Wolfensohn (CFR, BM) – President of the World Bank (1995-2005)
Robert B. Zoellick (CFR, TC, BM) – President of The World Bank (2007-2012)
Jacob A. Frenkel (TC) – Governor of the Bank of Israel (1991-2000)
Stanley Fischer (CFR, TC, BM) – Governor of the Bank of Israel (Israel’s central bank) (2005-2013); First Deputy Managing Director of the International Monetary Fund (1994-2001)

Paul M. Warburg (CFR) – Vice Chairman of the Federal Reserve (1916-1918); Partner of Kuhn, Loeb & Co. (1902-1914)
Albert Strauss (CFR) – Vice Chairman of the Federal Reserve (1918-1920)
Eugene Meyer (CFR) – Chairman of the Federal Reserve (1930-1933)
Arthur Frank Burns (CFR, TC) – Chairman of the Federal Reserve (1970-1978); U.S. Ambassador to West Germany (1981-1985)
Sir Alan Greenspan (CFR, TC, BM) – Chairman of the Federal Reserve (1987-2006)
Ben Shalom Bernanke (BM) – Chairman of the Federal Reserve (2006-2014)
Anthony M. Solomon (CFR, TC, BM) – President of the Federal Reserve Bank of New York (1980-1984)

George Blumenthal (CFR) – Partner of Lazard Freres & Co. (1893-1904); Senior Partner of Lazard Freres & Co. (1904-1925)
Frank Altschul (CFR) – Partner of Lazard Freres & Co. (1916-1945)
Herbert H. Lehman (CFR) – Partner of Lehman Brothers (1908-1914, 1919-1928)
Robert Lehman (CFR) – Partner of Lehman Brothers (1925-1969)
Felix M. Warburg (CFR) – Partner of Kuhn, Loeb & Co. (1896-1937)
Otto H. Kahn (CFR) – Partner of Kuhn, Loeb & Co. (1897-1934); Hollywood financier
Mortimer L. Schiff (CFR) – Partner of Kuhn, Loeb, & Co. (1900-1931)
Frederick M. Warburg (CFR) – Partner of Kuhn, Loeb & Co. (1931-1973)
Benjamin J. Buttenwieser (CFR) – Partner of Kuhn, Loeb & Co. (1932-1977)
George Soros (CFR, TC, BM) – Chairman of Soros Fund Management (1996-present)

Note:
CFR = Council on Foreign Relations, TC = Trilateral Commission, BM = Bilderberg Meetings, BC = Bohemian Club, S&B = Skull and Bones

Dominique Strauss-Kahn (center), **Managing Director of the International Monetary Fund (IMF), a member of the Socialist Party of France, and a French Jewish financier,** departs a New York Police Department precinct in New York City on Sunday, May 15, 2011. Dominique Strauss-Kahn was accused of sexually assaulting a hotel maid at Sofitel New York Hotel, a luxurious hotel in New York City, on Saturday, May 14, 2011; Dominique Strauss-Kahn was arrested at John F. Kennedy International Airport in New York City as he attempted to flee the United States of America. Dominique Strauss-Kahn resigned as Managing Director of the International Monetary Fund on May 18, 2011. (Reuters)



IRIS TAKEN

PRISONER MOVEMENT SLIP

Arresting Officer

A/O Name: LANE
Arrest PCT: MIDTOWN PRECINCT SOUTH   Possible DAT?: [ ] YES [ ] NO
CELL #: [ ]   Fax #: MO025583
Defendant:
STRAUSS-KAHN, DOMINIQUE
Sex: MALE   Race: WHITE   DOB: 04-25-1949   Age: 62
Major Charges:
PL 1306501: SX ABUSE:CONTCT-FORCBL COMPLSN
PL 1350500: UNLAWFUL IMPRISONMENT 2ND
PL 1305001: SODY:INTRCRSE:FORCIBLE COMPLSN
Co-Defendants: [ ] YES [ ] NO

M11642686Y
Date/Time: 2011-05-16 03:35:00

Criminal Justice Agency

Warrant name check by (intl): [ ]   Warrant: [ ] YES [ ] NO   Warr/Dckt #: [ ]
CJA Interview Required?: [ ] YES [ ] NO   CJA Interview Time: [:]

Booking Supervisor

DAT Issued?: [ ] YES [ ] NO   DAT Serial #: [ ]
Arresting Officer excused?: [ ] YES [ ] NO   Return Date: [ ]
Prints Needed: [ ] YES [ ] NO   Printed?: [ ] YES [ ] NO [ ] REFUSED
Searched: [ ]

Detention Alert

Prisoner has attempted escape: [ ] YES [ ] NO
Prisoner has attempted suicide?: [ ] YES [ ] NO
Prisoner has assaulted member of the service?: [ ] YES [ ] NO
Others (EXPLAIN):

2011 MAY 16 A 3 46
SCREENING UNIT
PRE-ARRAIGNMENT

DWPNYC2K10201   Printed 05/16/11 03:38

The Bank Job

By Bethany McLean
Vanity Fair
January 2010

One of the biggest disconnects on Wall Street today is between the way Goldman Sachs sees itself (they're the smartest) and the way everyone else sees Goldman (they're the smartest, greediest, and most dangerous). Questioning C.E.O. Lloyd Blankfein, C.O.O. Gary Cohn, and C.F.O. David Viniar, among others, the author explores how their firm navigated the collapse of September 2008, why it has already set aside $16.7 billion for compensation this year, and which lines it's accused of crossing.

Goldman Sachs C.E.O. Lloyd Blankfein and C.O.O. Gary Cohn, in the boardroom of Goldman's headquarters, in New York City. Cohn "was always Lloyd's guy. I mean, always," says a former Goldman trader. (Photograph by Annie Leibovitz)

Lloyd Blankfein—who was born poor in the South Bronx, put himself through Harvard, and became the C.E.O. of Goldman Sachs in 2006, after 24 years at the firm—is a history buff, a lawyer, a wordsmith, and something of an armchair philosopher. On a Thursday in October—the very day when the firm announced it had made $8.4 billion in profits so far this year—he speculates whether Goldman would have survived the financial conflagration in the fall of 2008 entirely on its own, without any kind of help, implicit or explicit, from the government. "I thought we would, but it was a hell of a higher risk than I was happy with," he says, sitting in his 30th-floor office in Goldman's old headquarters, at 85 Broad Street, in Lower Manhattan. "As a result of actions taken [by the government], we were better off than we otherwise would have been. Was it dispositive? I don't know. I don't think so … but I don't know."

He adds, "If you ask, in my heart of hearts, do I think we would have failed … " He pauses, then pulls out his trump card: at the height of the crisis, Warren Buffett agreed to invest $5 billion in Goldman Sachs.

Buffett, the venerated Nebraska investor, is famously reluctant to put money into Wall Street firms. But he has a long history with Goldman. As a 10-year-old he went to New York with his father, a broker in Omaha, and they stopped by Goldman Sachs to visit Sidney Weinberg. As Goldman's leader from 1930 to 1969, Weinberg helped build the firm into the powerhouse it became. "For 45 minutes, Weinberg talked to me as if I were a grown-up,"

Buffett likes to recall. “And on the way out he asked me, ‘What stock do you like, Warren?’” In later years Buffett liked to cite Byron Trott, who until recently worked in Goldman’s Chicago office, as one of the few investment bankers worth his salt.

And so, when Trott asked Buffett if he would be interested in investing in Goldman during the frenetic days after Lehman Brothers’ bankruptcy, Buffett thought about it, and on Tuesday, September 23, he and Trott hammered out a deal. In a very brief—and very Buffett—call that afternoon with Blankfein, Trott, and then co-president Jon Winkelried, Buffett said he would invest $5 billion in exchange for a hefty 10 percent dividend and rights to buy additional stock over the next five years at a price of $115 a share. “I’m taking my grandkids out to Dairy Queen,” he told the Goldman men. “Call me and let me know what you want to do.”

Goldman accepted Buffett’s tough terms, and thanks to the investment was able to raise another $5.75 billion, by selling stock to other investors. Blankfein says the firm could have raised multiples of that but didn’t need more money. And Buffett has said that while no one could ever understand the balance sheet of any Wall Street firm, he has confidence that Blankfein is both very smart and very conservative. But there was another reason he invested: “If I didn’t think the government was going to act, I would not be doing anything this week,” he explained to CNBC’s Becky Quick. “I might be trying to undo things this week.”

Blankfein refers to this period as “the fog of war,” and yet at 85 Broad Street a clear story line has emerged from almost every level of the firm: it was Goldman’s much-celebrated culture and its superior ability to manage risk, not the helping hand of the government, that got it through the events of fall 2008. When I ask Gary Cohn, Goldman’s chief operating officer, and David Viniar, the firm’s chief financial officer, if, barring a financial Armageddon, Goldman would have survived without all the various forms of government intervention, Viniar says, “*Yes!*” almost before I can finish the question. “I think we would not have failed,” says Cohn. “We had cash.”

I t’s hard to find anyone outside the firm who doesn’t see this as revisionist history. Combine that with further proof of Goldman’s worldview—namely, the huge amount of money its people will earn this year ($16.7 billion has already been set aside for compensation, which could translate into an average of $700,000 per Goldman employee)—and you get rage. Widespread rage. “Complete crap,” says a senior financier, about Goldman not needing the government’s help. “It is a bunch of bullshit,” says a former Goldman Sachs managing director. Even Neel Kashkari, a former Goldman banker, who became an assistant secretary of the Treasury last summer, told *The New York Times* that “every single Wall Street firm, despite their protest today, every single one benefited from our actions. And when they get up there and say, ‘Well, we didn’t need it,’ that’s bull.”

Factor in Goldman’s political connections—two of the firm’s past four leaders have served as Treasury secretaries, while another source tells me about a G-7 meeting where he counted 24 to 28 out of 32 finance officials in attendance as ex-Goldman men—and you get conspiracy theories on steroids. “THIS FIRM IS PURE EVIL” is a typical comment whenever a story about Goldman is posted on the Internet, which is almost every day now.

Goldman gets that it has a problem; people there are deeply bothered by the outcry. “There is an embattled feeling around the place,” says someone who knows the firm well. This is magnified, perhaps, because there has always been a whiff of sanctimony about the firm. It not only wants to make money; it wants to be seen as a force for good. Blankfein’s now infamous comment to a reporter at the London *Sunday Times* that he was doing “God’s work” was meant as a joke, but there was a ring of unintentional truth to it.

Goldman executives believe they have a public-relations problem, not a substantive one. When the firm had TARP money, there was a ban on using the corporate box at Yankee Stadium, and last fall Blankfein went on a charm offensive that showcased his humble roots to the press.

What Goldman doesn’t get is that all the murk about the ways it has benefited from public money taps into a deep fear that has long existed among those who think they know Goldman all too well. It’s a fear that, as one person puts it, Goldman’s “skill set” is “walking between the raindrops over and over again and getting away with it.” It is a fear that Goldman has the game rigged, even if no one can ever prove how, not just because of its political connections but also because of its immense size and power. And it is a belief that despite all the happy

talk about clients and culture (and, boy, is there a lot of that) the Goldman of today cares about one thing and one thing only: making money for itself. Says one high-level Wall Street executive, "Why do you have a business? Because you have a customer. You have to make an appropriate profit. But is it possible that Goldman has changed from a firm that had customers to a company that is just smart as shit and makes a shitload of money?"

A Storied Firm

Founded in 1869, Goldman Sachs, in the early days, was a scrappy, Jewish firm in a world of white-shoe investment banks (such as J. P. Morgan), which controlled all the valuable corporate clients. In 1929, Goldman was almost brought down by a charming manager-partner named Waddill Catchings, who created what was known as the Goldman Sachs Trading Corporation—a story told in detail in *The Partnership,* by Charles Ellis. It was essentially a trust which used debt to buy other companies, which used more debt to buy still more companies—in other words, a ticking time bomb of debt, in much the same way that modern trusts designed to buy mortgages became ticking time bombs of debt. When the inevitable collapse came, the result tarnished Goldman for decades.

The firm's recovery was in large part due to Sidney Weinberg, who famously joined Goldman as a janitor in 1907. While Weinberg built the firm's banking business, Gus Levy, a Tulane University dropout, developed a formidable sideline trading stocks and bonds. In 1969 he took over Weinberg's job at the head of Goldman. When he died, from a stroke in 1976, Weinberg's son John and John Whitehead, an Illinois-born, Harvard-educated World War II veteran, continued to transform Goldman into a major player in investment banking. For much of Goldman's history, the two worlds—the genteel, plush-carpeted one of banking and the rough-and-tumble one of trading—existed in a kind of balance.

As the firm grew, it developed a unique culture, characterized by impossibly hard work, loyalty, secrecy, and a lack of flashiness. Senior executives there—unlike those at other firms—do not have palatial offices with private bathrooms. In the late 1970s, Whitehead put what are still Goldman's 14 Business Principles on paper. The first: "Our clients' interests always come first."

At one time, outsiders could see this principle in action. In the era of hostile takeovers, Goldman wouldn't do them, and the firm was the last on Wall Street to start a business managing money for wealthy individuals, because it didn't think it should compete with the big money-management firms, which were also clients of its trading operation.

By the early 1990s, Morgan Stanley and Goldman Sachs sat atop the pinnacle of Wall Street. But even then Goldman had a mystique that Morgan lacked.

Insiders and outsiders alike have long struggled to define Goldman Sachs's secret sauce. It's a blend of impossibly hard work, intense competitiveness, and something that closely approximates teamwork, although that makes the culture sound more touchy-feely than it really is. "The firm is hard-knuckled and sharp-elbowed, but that's hidden in the velvet glove of teamwork and collegiality," a former managing director tells me.

The place does not ooze the smug satisfaction that often comes with great wealth. Rather, it oozes anxiety. I worked there as an analyst for three years in the early 90s, and I remember that most people couldn't take advantage of the long line of black cars that waited until midnight outside 85 Broad Street to take them home. Instead, they had to call for cars, because they never got out early enough. I also recall being told that having a tan in the summer was a bad sign, because it meant that you weren't working hard enough. You'll often hear Goldman people speak of "quartilers," because Goldman divides its people into groups based on performance. The usage would be, "You don't send a second quartiler to build a business."

But, of course, not only the demands but the rewards—in terms of both prestige and money—are bigger.


Senior partner Sidney Weinberg in 1957. From The New York Times/Redux.


From left: Henry Paulson, Stephen Friedman, and Jon Corzine, 1994; all would rise to the top post at Goldman. *From Saba/Corbis.*


Managing partner Gustave “Gus” Levy in 1961. *From The New York Times/Redux.*

The Meek Shall Not Inherit the Firm

In the early 1990s, Goldman faced one of the biggest tests in its history. After big trading losses, a result of a bet on bonds gone bad in London, partners began quitting, and yanking their capital from the firm. It was “very shaky,” recalls a former partner. “Those of us who made partner in 1994 actually had to pay [money into the partnership to make up for the losses]. The smart guys were all leaving.”

Into that leaderhip vacuum stepped Jon Corzine, a fixed-income trader and a fierce believer that Goldman should be public. Whereas Morgan Stanley had sold shares to the public in 1986, Goldman was Wall Street’s last private partnership. In December of that year it began to seriously debate the idea of going public, according to *The Partnership,* but several questions seemed always to stop it: What would happen to the culture if the firm went public? And how would you divvy up the money in a fair way, among new partners, longtime partners, and former partners?

By 1998, however, Corzine had persuaded the rest of the firm. But before the I.P.O. could get off the ground, the $4.6 billion hedge fund Long Term Capital Management melted down, causing a crisis on Wall Street. L.T.C.M.’s massive bets were financed with an inordinate amount of debt, and as the trades went bad, all of Wall Street, which had lent money to L.T.C.M. and often copied its trades, reeled. Like those at other firms, Goldman’s fixed-income trading operation, which was Corzine’s home, faced huge losses. Corzine had already provoked great resentment by calling himself C.E.O. and acting unilaterally, even though Goldman had always been run by its all-powerful executive committee. And so, the committee of, at that time, five men staged a coup and forced Corzine out. They replaced him with Henry Paulson, an Illinois native who made his career at the firm by winning investment-banking business. (Ironically for Corzine, Goldman finally did sell shares to the public, at $53 apiece, in the spring of 1999, which meant that, just as with other publicly traded Wall Street firms, Goldman was no longer playing with partners’ capital, but with shareholders’ money.)

Paulson is a walking set of contradictions. A fiercely competitive man, he is also an avid conservationist who freaked out when birds would fly into the glass windows of 85 Broad. He is a committed Christian Scientist, whose main talent both at Goldman and in government was a brutal pragmatism. “Hank gets shit done,” as one person tells me. And although Paulson’s intimidating presence and gravelly voice are now well known to millions of Americans, less visible is a strangely endearing quality. Most people who know him think that he always tells the truth, mainly because he isn’t capable of the verbal slickness that is critical to dissembling. “He didn’t want the crown, but he wore it well” was the word among some partners regarding Paulson’s tenure as C.E.O., from 1999 to 2006.

Brave New World

The rise of Lloyd Blankfein, who took over as C.E.O. in 2006, is in part a testament to the inexorable creep of the power of money at Goldman Sachs. During the early years of Paulson’s reign, the heirs apparent were his co–chief operating officers, John Thain and John Thornton. Thornton was a classic Goldman Sachs banker, a creative thinker who was great with clients. But his critics say that he had some weaknesses, including a dislike for the grungy details of management. In the end, Paulson, in a 2003 meeting in his office, told him he would not become C.E.O. Someone close to Thornton, though, says that he had already been making plans to leave after he realized Paulson, who initially planned to serve as C.E.O. for only a few years, wasn’t going anywhere. And there was something else. Thornton was also discomfited by what he felt was a change at Goldman: a newfound obsession with making money first and foremost. He believed great institutions had to stand for something more.

Thain, on the other hand, was the “good son,” as one Goldman executive puts it. A former head of Goldman’s mortgage business who became the firm’s chief financial officer in 1994, he knew every detail of how Goldman Sachs ran. He, too, had to rethink his future when Paulson decided to stay. And some say his power base began to erode as Goldman’s new breed of traders made more and more money. A former managing director tells me that if the old Goldman made its money taking Ford public the new Goldman made its money hedging the cost of platinum for Ford. And that business was run not by John Thain but by Lloyd Blankfein. In 2003, Paulson decided to appoint Thain and Blankfein as co–chief operating officers, but Thain saw the handwriting on the wall. The New York Stock Exchange began recruiting him to be its C.E.O., and later that year he took the job.

O ne of the most surprising things about Blankfein, 55, is how likable he is. Bald and on the short side, he is self-deprecating and has a wicked sense of humor and a fondness for bad puns. He came to Goldman via J. Aron, a tough, street-savvy, highly entrepreneurial commodities-trading shop, which Goldman acquired in 1981. “I was invisible for the first 24 of my 27 years here,” Blankfein tells me. “It’s not like I sought this out.” But this humble explanation masks another side of Blankfein. One does not amble one’s way to the top of Goldman Sachs.

Internally, Blankfein is viewed as extremely “commercial,” which means, in Goldman parlance, having a talent for making money. “Blankfein is Paulson on steroids,” says one client, referring to Blankfein’s competitiveness, even though he rarely engages in a show of brute force. “If [former Lehman C.E.O.] Dick Fuld is a machete, then Lloyd Blankfein is a Swiss Army knife” is how Anthony Scaramucci, a former Goldman vice president, who now runs SkyBridge Capital, explains Blankfein to me.

Over the years one criticism of Blankfein that has stuck is that he is not comfortable with people who aren’t his guys. Those “guys” are usually traders. “The group running Goldman now is not a very diverse group, and that is potentially very damaging to the franchise,” says a former partner. Chief operating officer Cohn grew up at J. Aron, and if Blankfein’s more ruthless side is masked by humor, Cohn’s knuckles are usually on full display. “Cohn is a lot like Fuld,” another former Goldman partner says. “He is a tough, aggressive trader.” Says a former trader, “Gary was always Lloyd’s guy. I mean, *always*.”

Under the new leadership the culture of the firm seems to be changing. Once upon a time in the not-so-distant past, even a Goldmanite wouldn’t have sniffed at a million dollars a year. But in recent years, the numbers have become multiples of that. (Of course, this is true across Wall Street, but particularly at Goldman.) In 2007, Blankfein made $68.5 million, the most ever for a Wall Street C.E.O. Cohn made $67.5 million. Fair or not, there’s a sense that the numbers matter because the new Goldman cares about keeping up with the hedge-fund guys. “Everyone loves to hate Goldman Sachs, and Goldman loves to hate the hedge-fund community,” says one

trader. "They've gotten rich, but they haven't gotten rich like Louis or Julian or George" (legendary hedge-fund managers Louis Bacon, Julian Robertson, and George Soros).

Under Blankfein, Goldman continued to grow exponentially: by 2007 the firm's revenues were $46 billion, nearly three times that of 2000. In large part, this was the result of a strategy, begun under Paulson but embraced by Blankfein, in which Goldman no longer sat on the sidelines, dispensing advice, but rather invested its own money alongside its clients'. Goldman now has a money-management business; a large private-equity business, meaning that while big buyout funds are Goldman's clients they are also its competitors; and a proprietary trading business, which exists specifically to trade Goldman's capital on Goldman's behalf—so hedge-fund clients are also competitors. Across Goldman's many trading businesses, the line is fuzzy as to when the firm is acting for itself and when it is acting on behalf of clients.

Inside "the Black Box"

Despite the public financial statements Goldman files every quarter, no outsider can tell how the firm really makes its money. You cannot see into "the black box" of the trading empire. Blankfein says that only about 10 percent of Goldman's profits come from purely proprietary trades, but there is no way any outsider can confirm that independently. And, anyway, what's in the black box is always changing, so the numbers are relevant only in the current moment. "Goldman changes the doughnut machine all the time," says independent analyst Meredith Whitney. "It's never the same doughnut. Around the rest of the Street, it's always the same doughnut," by which she means that Goldman constantly adjusts its investment strategies, as opposed to other banks, which tend to be less responsive to the market. Blankfein uses the word "nimble" to describe Goldman, and it indisputably is.

A side effect is that, in a firm where producing profits helps you rise, banking has now become an adjunct of the trading business, where the real money is made. Steve Scherr, a 17-year Goldman veteran who helps run the investment-banking business, claims that he does not feel marginalized. "The way banking is thought about within the firm has changed," he says. "Banking has taken on increasing presence as the sales force of the firm." In other words, when Goldman advises a company that wants to sell itself, the Goldman banker who wins that deal may also be able to bring Goldman in as an investor, or bring Goldman traders in to sell the company a hedge against a deterioration in a foreign currency, and on, and on.

But not everyone sees this in such a sunny way. A former partner explains to me that investment banks have always had conflicts of interest. In his view, those conflicts have taken on a darker tone. For example, a few years ago, Goldman's bankers were told that they should help sell more derivatives. "Say you have a client with a foreign-exchange problem. So you bring Goldman's foreign-exchange expert in, and he gives you a price. I'm giving the client Goldman's pricing, not necessarily the best pricing, because there's a desk at Goldman that's making money on it."

This gets to the heart of the complaints about Goldman by others on Wall Street, which are often quite bitter. When Blankfein speaks of being "so close to clients that you can see the pattern better than anyone else," some worry that this means his firm is using client information in ways that aren't necessarily in the clients' best interests (though few in the business think Goldman would cross the line into illegality). In Street parlance, a "counterparty"—i.e., the person on the other side of a trade, as opposed to one you are representing—is like a consenting adult, and hence the line you'll frequently hear: The new Goldman Sachs doesn't have clients—it has counterparties.

These questions are particularly pronounced among hedge funds. "People worry that they're in my business, and they're better than I am," says one money manager. Asks another hedge-fund trader, "Are they the Yankees? No, the Yankees actually lose! Goldman never loses. And people say they are a hedge fund! This ain't no hedge fund. Hedge funds lose money." When I ask him if he does business with Goldman, however, he replies, "Of course we do business with them. We have to. It's like the Mob who picks up the garbage. You pay their fees, because you need your garbage picked up."

Trimming the Hedges

All of this explains why Wall Street loved the battle between hedge-fund manager Jim Chanos and Goldman Sachs executive Marc Spilker, co-head of the asset-management division. The two are neighbors in the Hamptons and had a dispute over widening a path that leads to the beach. While the matter was still being litigated, Spilker hired a work crew to knock out hedges on Chanos's property. Chanos, who says he paid Goldman between $40 million and $50 million in fees annually, tried to complain to Blankfein. One of his lieutenants told Chanos that the C.E.O. wouldn't listen to his complaints over the issue, and furthermore Goldman didn't like the way he, Chanos, was handling this. Chanos saw it as a tangible sign that, at the new Goldman, clients no longer mattered. He pulled all his business within two weeks.

To any concerns about how Goldman treats its clients Blankfein has a simple response, which is that Goldman's market share is still No. 1. And while some say they do business with Goldman because the firm's omnipresence means they have to, there is another reason, which even its most bitter critics concede: Goldman is better. Why is that?, I ask a hedge-fund manager who has just finished his own heated explanation about how he doesn't trust Goldman. "I can't really tell you why it's better. It's just better," he says. "It's six p.m. in New York City, and Goldman will figure out how to get the right person in Hong Kong—a guy we've never spoken to—on the phone to walk us through exactly what we want to know. He'll be fully knowledgeable." He laughs. "Try the same thing with Citi. They can't even figure out what they know, let alone how to take advantage of it."

The Mortgage Mess

In a weird way, what happened at the start of the subprime crisis confirmed to people at Goldman Sachs what they fundamentally believed about themselves—that they really are better than everybody else on Wall Street. But, for many on the outside, it offered proof instead that Goldman put protecting its own interests ahead of protecting the interests of clients.

In December 2006, about a year before any other Wall Street firm started realizing the magnitude of the crisis, Goldman began betting against the mortgage market. By August 2007—which was right after Chuck Prince, then Citigroup's C.E.O., famously said, "As long as the music is playing, you've got to get up and dance"—Goldman Sachs was leaving the dance floor. The firm had also begun to sell off tens of billions of dollars' worth of the big loans on its books that had been used to finance leveraged-buyout deals. "In retrospect, there is not a person who wouldn't have sold where we were selling," says Steve Scherr. How true!

Goldman simply saw what everyone else could have—and should have—seen: the prices of the securities backed by mortgages, and then of the big loans, were declining. Each and every day, Goldman rigorously books profits and losses based on where it can sell its positions. Because those values were declining, Goldman was taking losses in its mortgage business day in and day out. This made the mortgage traders nervous. Says David Lehman, a managing director in Goldman's mortgage-trading group, "Whether the trade is subprime mortgages or bananas, if it's not going your way, you have to get smaller."

Except that most of Goldman's competitors did no such thing. At other firms the mortgage traders tried to protect their fiefdoms, arguing that declines were temporary. They held or even grew their positions—and refused to admit they were losing money. Doubts and warnings seldom made it to top executives, and even when they did, they were ignored in the desire to keep the good times rolling. "There's people's hopes and prayers, and then there's the reality of the market. You can't confuse the two," says Cohn today.

Goldman didn't just sell the mortgage securities and stop doing business, however. After a now famous meeting in David Viniar's office on December 14, 2006, Goldman's traders began to protect the firm against further declines in the market. Just as you can short the S&P 500, the traders took short positions in an index that tracked the price of mortgage-backed securities. They also either sold assets they owned to others at losses or dramatically marked down the price on their own books.

In the aftermath of the crisis, criticism erupted that Goldman had continued to sell mortgage-backed securities to its clients while betting against those very securities for its own account. Clearly, in the simplest terms possible, this is true: while Goldman was never the biggest underwriter of C.D.O.'s (collateralized debt obligations—Wall Street's vehicle of choice for mortgage-backed securities), the firm did remain in the top five until the summer of 2007, when the market crashed to a halt.

Goldman argues that the buyers of their C.D.O.'s were themselves sophisticated investors who were capable of making their own decisions. In other words, they were counterparties. "You don't shut your franchise down just because you have a view of a market," says Cohn. "When we do an I.P.O., people don't ask us our view of the stock market." But a less generous interpretation was given in a recent McClatchy Newspapers series, which quotes an analyst report that describes Goldman as being "solely interested in pushing its dirty inventory onto unsuspecting and obviously gullible investors." (A Goldman spokesperson says, "The statement is not true. The McClatchy series was characterized by unsubstantiated claims, innuendo, and outright falsehoods." McClatchy, however, stands by its work.) And so, if the old Goldman was defined by its refusal to do hostile takeovers, the new Goldman is defined by its skill at protecting its own interests.

With the benefit of hindsight, there is another aspect of the story that may ultimately prove to be more troubling, and Goldman has disclosed that it, along with other financial institutions, has received requests for information from "various governmental agencies" relating to "subprime mortgages, and securitizations, collateralized debt obligations and synthetic products related to subprime mortgages."

One new invention the Street created was something called a synthetic C.D.O., which was sort of like making a coin: you have to have two sides, heads and tails, long and short. In effect, the person who has tails, or is short, makes small payments to the person with heads as long as the securities that make up the C.D.O. are performing. If they blow up, then a big payment goes the other way.

Investors in a C.D.O. can choose to buy a range of securities, from what are supposedly the safest all the way down to the riskiest, or equity, position. The person who owns the equity stands to make the most for taking the greatest risk, but only after everyone else gets paid. So if you owned the less risky slices, you might feel good if the equity owner were a smart guy who only stood to get paid after you did.

Except that might not be the way it worked, because the equity owner could also be the person who had the tails, or short, position. As several sources have described it to me, the numbers could work so that the equity investor would do decently if the security performed—but make a fortune if it went bad.

The equity owner could also play a role in selecting the mortgages on which that C.D.O. was based. So theoretically at least—and some suspect this is not just theoretical—the equity owner could choose securities that he thought had a good chance of going to hell. As one person says, this is akin to "betting that your own house is going to burn down" after you build it with highly flammable materials.

There are many permutations of this trade. Some people believe that Goldman engaged in versions of it, and that it facilitated them for hedge funds. Goldman defends this. "We own equity, we buy a credit- default swap, and we are hedging ourselves," says Cohn. As for selecting the collateral, he says, "It's no different. Our clients are smart, sophisticated institutions. They should know that's the case."

He has a point. As long as no one explicitly misrepresented where their interests lay—and there is no evidence of that—supposedly sophisticated investors have a duty to understand what they're buying, not to base their decision on what the "smart guy" is doing.

And if the mortgage market hadn't collapsed—and there's no way anyone could have known for sure that it would—then these deals wouldn't have been so profitable, and no one would care. But when I ask one knowledgeable person about what happened to some of the deals that Goldman is rumored to have done, he responds with one word: "Torched." Or as another person says about the bigger picture of the crisis, "Goldman's management team was almost flawless in its execution. But how many people needed government help because of the things Goldman sold them?"

Trade with the Taxpayer

As a lot of people know now, Wall Street firms are fragile entities, needing the market to finance themselves. Because it is cheaper for them to borrow short-term money than to borrow long-term money, during the bubble years they all, to some degree, began to rely on short-term money—which they'd use to buy assets such as real estate or entire companies that couldn't be sold immediately. It's as if you bought a house and the bank at any

time had the right to demand payment in full—*tomorrow*. Goldman managed its balance sheet more conservatively than many of its peers, and it grew more conservative after Bear Stearns's overnight lenders pulled the plug in March 2008. By the time the crisis hit 85 Broad Street, six months later, Goldman had $114 billion in cash, and very little funding that needed to be paid off in less than 100 days.

This is a big part of why Goldman's treasurer, 40-year-old Liz Beshel, says that "rumors of our death were greatly exaggerated." She adds that the demands for cash never grew larger than what Goldman had planned for. Overall, the firm conveys an attitude of dispassion about the whole affair. When I ask Gary Cohn if he was worried about Goldman's stock price, which plunged from $207.78 in February 2008 to $47.41 in November, he says, "It wasn't scary at all."

"Complete and utter nonsense," says someone who knows Cohn well. Indeed, a falling stock price can become a self-fulfilling prophecy, because as the stock plummets, confidence evaporates. And as another high-level Wall Street executive says, "No matter what the balance sheet says, if you can break confidence, the money is going to leave the institution." Or as another person who knows Goldman well says about the firm's models, "In an environment like that, the model doesn't mean shit."

There is evidence that as the stock price tumbled in fall 2008 the 30th floor of 85 Broad Street was not quite the haven of calm Goldman now suggests. By September 14, the weekend when Lehman went bankrupt, John Mack, of Morgan Stanley, and John Thain, by then the C.E.O. of Merrill Lynch, were urging the Securities and Exchange Commission to ban short-selling, in which investors bet that a stock is going to decline. Blankfein was opposed. After all, Goldman Sachs is a believer in the market, in which stocks should go down as well as up, and in its trading business, it regularly shorts securities of all kinds.

But that week, as the crisis escalated, Blankfein changed his mind. When Mack and Blankfein spoke on Tuesday, Blankfein said, "You're right. We have to do something about this." He then told S.E.C. chairman Christopher Cox, whose agency can use emergency powers to ban a lawful activity, that he was for the ban. "I'm for markets," says Blankfein, who today describes the situation as "tricky." "But when it felt like it had gotten abusive, when it was free money to short-sellers who were piling on, it felt less like the market and more like it was being manipulated." He adds, "I crossed over."

"It was entirely a question of where you sit," says one person familiar with events. "If you thought the wolf was at your door, then you were for the ban. If not, you had a principled view. It was a direct measure of how panicked the C.E.O. was at that moment about losing his firm."

For all Goldman's tough talk, when the market made a judgment on Goldman itself, the firm blinked. (It is possible that short-sellers were illegally manipulating the market, although no evidence of that has come to light.) "I would cop a plea to hypocrisy if you get rid of all the other charges," says Blankfein.

The ban on short-selling, which went into effect on September 19, 2008, was a sign that the government was going to do what it had to do to protect the nation's financial-services companies. But even that wasn't enough to break the fear, and after a brief rebound Goldman's stock began falling again. That Saturday, Tim O'Neill, a longtime Blankfein confidant who has held a variety of roles at the firm, called David Heller, a co-head of the global securities division, and said, "I think we built a house that can withstand a Cat 5 hurricane. It looks like a Cat 5 hurricane."

But the storm never really hit, because that Sunday night, Goldman and Morgan Stanley issued press releases: With the blessing of the Federal Reserve, they were going to transform themselves into bank-holding companies. Because such banks are regulated by the Fed, there is a U.S.-government seal of approval that comes with the designation, and the fact that Morgan and Goldman were granted it so quickly (as Lehman had not been)—over a weekend—was a solid sign to the market that the United States would not let them fail.

And later, in October, after Buffett's investment, Goldman took $10 billion more as part of TARP. Then, in the middle of the month, the Federal Deposit Insurance Corporation began a program under which banks could issue debt guaranteed by the federal government. Goldman eventually issued $28 billion of such debt, close to the limit of $35 billion the F.D.I.C. had set for it. As Goldman acknowledged in its public filings, the firm was "unable to raise significant amounts of long-term unsecured debt in the public markets, other than as a result of the issuance of securities guaranteed by the FDIC."

Maybe it's true that Goldman didn't need the government's help, but, nevertheless, the firm availed itself of *all* the help offered. What seems lost on Goldman executives is that questioning the necessity of that help from the safety of today's vantage point smacks of trying to have your cake and eat it, too. And when they claim they would have done things differently had they anticipated the resulting criticism, it would be tempting to give them a taste of their own medicine: Goldman Sachs, you're a smart, sophisticated investor—you did the trade! Now live with it.

In the wake of the crisis, one Goldman executive made the decision not to live with any of it anymore. In February 2009, Goldman announced the surprising departure of Jon Winkelried. Because he had put his Nantucket mansion on the market for $55 million and been allowed to cash out of a part of his interest in several Goldman Sachs–run funds for $19.7 million, there was widespread speculation that he was caught in a cash squeeze.

The explanation given by people close to Winkelried is, in some ways, more telling. Indeed, he had kept almost all of the money he had made in his 27-year career at Goldman in the firm's stock or in its private-equity funds. As the crisis intensified, he wanted to raise cash, in case, "God forbid, something happened to Goldman," as he confided to one friend. Because the terms of Buffett's investment forbade Cohn, Winkelried, Viniar, and Blankfein from selling 90 percent of their holdings until three years after the deal, Goldman—in effect, in exchange for Winkelried's helping to save the firm by agreeing to Buffett's tough terms—allowed him to cash out of a part of the funds at a discount from their value at the time.

Bailing Out A.I.G.—or Goldman?

Inside Goldman, there is an overwhelming sense of pride in how the company weathered the crisis, and great admiration for Blankfein. "He is the right man at the right time," says O'Neill.

And some clients have a new appreciation for Goldman: "When the shit was hitting the fan, Goldman acted very responsibly," says one client, by which he means it didn't try to prey on the weakness of other firms. Another client points out that while other firms stopped answering their phones at the height of the crisis, Goldman both dealt with its own problems and tried to help clients deal with theirs.

It's possible that what many see as Goldman's revisionist history wouldn't cause so much rage if it weren't for the taxpayer bailout of the giant insurer American International Group, which many see simply as a "backdoor bailout" of A.I.G.'s creditors, including Goldman Sachs, as Representative Darrell Issa, the ranking member of the Committee on Oversight and Government Reform, put it in a recent letter to the New York Federal Reserve. But the question goes beyond the money that changed hands.

The bare facts are these: Goldman bought what was effectively insurance from A.I.G. (in the form of credit-default swaps) on some $20 billion worth of slices of C.D.O.'s made up of mortgage securities. The deal was structured so that A.I.G. had to turn over cash in real time as the value of the securities deteriorated. By the summer of 2007, A.I.G. and Goldman had begun to fight bitterly about how much cash A.I.G. owed. Because there was a gap between what A.I.G. had paid and what Goldman thought it was owed, Goldman bought additional insurance from other Wall Street banks, which would pay off in the event that A.I.G. defaulted on its obligations.

Viniar shows me a piece of paper, which he calls his "Bible." It lays out what all of this looked like on the Monday night before the federal government stepped in to take over A.I.G. At that point, the subprime securities had declined in value by $9.4 billion. Goldman had collected $7.5 billion in cash from A.I.G., and it had another $2.9 billion from the other Wall Street banks. Since Goldman had some small additional exposure to A.I.G., the net effect of this was that Goldman was "flat."

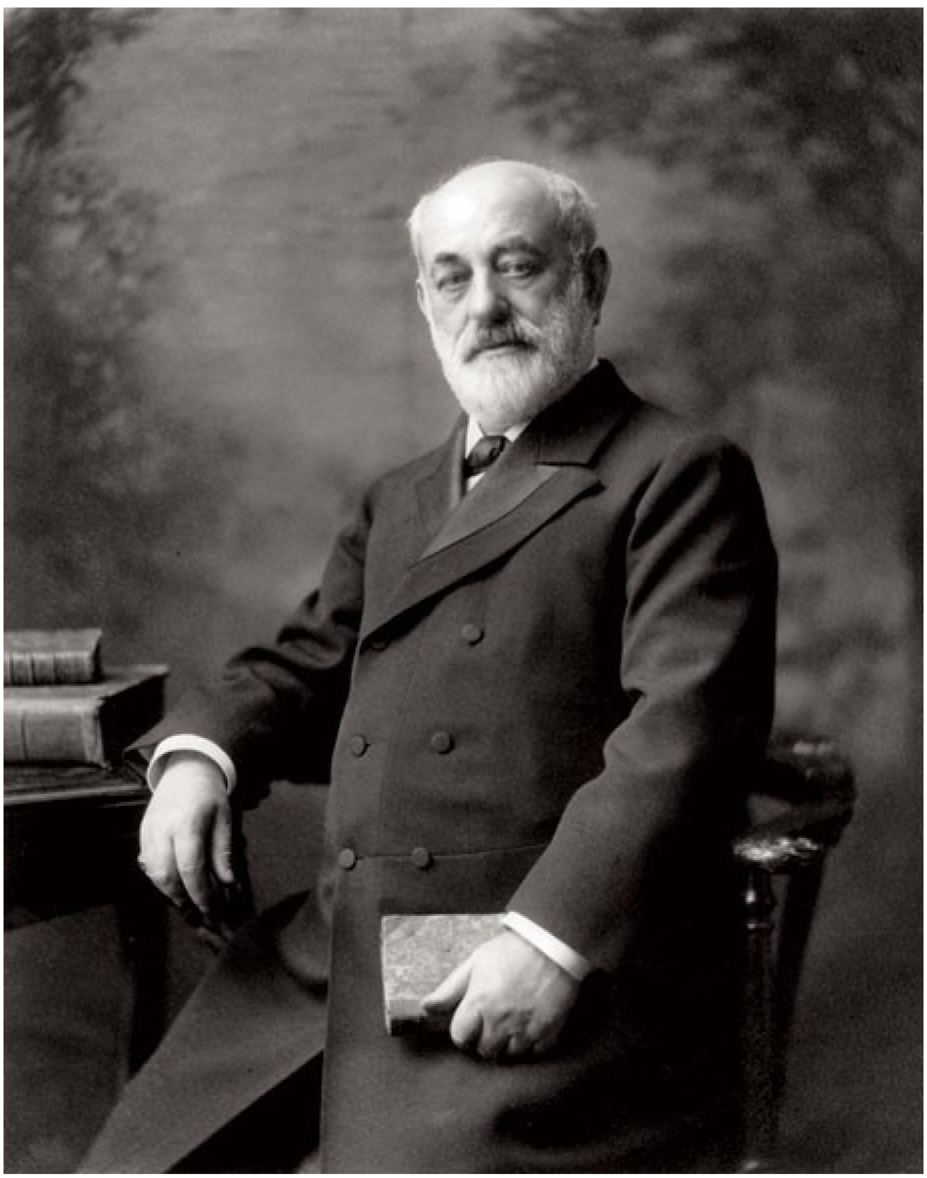
Viniar was much mocked for telling analysts on a September 16, 2008, call that Goldman's exposure to A.I.G. was "immaterial," but under that narrow definition, it's true. While you could argue about what would have happened if Goldman's remaining $10 billion of A.I.G. securities had declined in value following an A.I.G. bankruptcy, the question probably would have been moot, because there may not have been a financial system at all.

After the government bailout of A.I.G., in order to end the collateral calls on the insurance giant, the New York Federal Reserve—whose chairman at the time was former Goldman chairman Steve Friedman—decided to purchase a slew of the securities that A.I.G. had insured, including $14 billion of those on which Goldman had purchased insurance. The government—meaning taxpayers—did so at full price, although according to a recent Bloomberg story, there had been negotiations with A.I.G. to do so at a 40 percent discount. Goldman says that the New York Fed

broached the topic of a discount only once. The firm's response: a flat no. While no one will ever know what would have happened had A.I.G. gone under, the essence of what did happen is perfectly clear. As a recent report by the Office of the Special Inspector General for TARP put it, the decision to pay full price "effectively transferred tens of billions of dollars of cash from the Government to A.I.G.'s counterparties." Or to put it another way: because Goldman felt it was owed its billions by A.I.G., the firm took it from taxpayers instead.

The more interesting question may be the role that Goldman played in A.I.G.'s near destruction. Goldman says that it was largely an intermediary between A.I.G. and clients it won't name. So when, after the government bailout and the Fed's decision to pay full price, it received $8 billion from A.I.G., Goldman used that money, plus the billions in collateral it already held, to purchase A.I.G.-insured securities from their owners and deliver them to A.I.G., which had wanted to take them in exchange for canceling the insurance.

But outsiders say Goldman's dealings with A.I.G. look more complicated than that. A memo written by Joseph Cassano, the former head of the A.I.G. financial-products division, shows that some of the securities Goldman insured with A.I.G. were created by none other than Goldman itself. Janet Tavakoli, a structured-finance expert who runs her own consulting firm in Chicago and wrote a book on C.D.O.'s in 2003, notes that Goldman's deals also figure prominently in the list of C.D.O.'s upon which other firms bought insurance. Which is why, she says, "Goldman was responsible for huge systemic risk, and now they're trying to pretend they weren't." Finally, on November 17, as criticism mounted, Blankfein issued a public apology: "We participated in things that were clearly wrong and have reason to regret."



Goldman Sachs founder Marcus Goldman, early 1900s. *Courtesy of: Goldman Sachs.*

A 1929 Goldman stock certificate. *From the collection of the Museum of American Finance.*

Wall Street Versus Main Street

An e-mail that made its way around Wall Street right after Goldman announced its third-quarter profits observed, "$17 Billion in comp Year-to-date 2009 vs. $11B during the same period of 2008—Not bad for a government sponsored entity!" The e-mail concluded, "Global economic Armageddon and the near imminent failure of the company was clearly the best thing that ever happened to [Goldman]!"

Goldman's press releases about its spectacular earnings never mention government assistance of any kind. In June, the firm paid back the $10 billion in TARP funds it had taken. Taxpayers got a 23 percent return. As for the $21.6 billion in funds guaranteed by the F.D.I.C. that Goldman still has outstanding, a recent Congressional report estimates that it will save Goldman $2.4 billion over the life of the debt. But Cohn argues that that is actually costing the firm, in fees to the F.D.I.C. and interest, because it is excess liquidity. (When I repeat that to another Wall Streeter, he closes his eyes and says, "Please tell me Gary didn't say that.") Cohn also says that issuing the F.D.I.C. debt was "the single biggest mistake we made."

In fairness, one of the reasons Goldman is making so much money is that, while its remaining competitors huddled in their bunkers, Goldman got back to work. "The Goldman Sachs team deserves great credit to go through what they went through and get back on their feet and make money," says an observer.

But because so many of Goldman's competitors were gone or disabled, spreads—the difference between the price at which you sell and buy a variety of securities—were wider than they had been in years, meaning that Goldman could practically mint money. By acting at the moment it did, with Lehman out and Merrill Lynch down for the count, the government enabled this situation. "The U.S. government unwittingly created an oligopoly in most markets, and, for Goldman, a near monopoly in some," Scaramucci says. "They tied down Rockefeller and Gates, but they unwittingly unleashed Goldman!"

The other reason for Goldman's profits is that the government has flooded the system with money, not just the money it used to rescue the financial system but hundreds of billions more in stimulus, in support of the housing market, and in the Federal Reserve's purchases of securities. Analyst Meredith Whitney calls "government manipulation" the "strongest, most important theme of the capital markets in 2009." You cannot fault Goldman for taking advantage of that, but it's also true that, as National Economic Council director Larry Summers said, "there is no financial institution that exists today that is not the direct or indirect beneficiary of trillions of dollars of taxpayer support for the financial system."

Ultimately, the big question is this: Do Goldman's profits signify that good times are coming for the rest of the country? Jeff Verschleiser, a Goldman partner who joined the firm from Bear Stearns, says that, while Main Street may lag Wall Street, ultimately the outcomes will be "synched." And Blankfein professes no doubt. "I'm charged with managing and preserving the franchise for the good of shareholders, and while I don't want to sound highfalutin, it is also for the good of America," he says. "I'm up-front about that. I think a strong Goldman Sachs is good for the country."

When Goldman repaid the $10 billion in TARP funds, Blankfein wrote a very gracious letter to Representatives Barney Frank and Spencer Bachus. "Our return of the government's investment does not, in any way, end our obligations to the public interest," he wrote.

The problem is that there are few concrete signs that Goldman is acting in accordance with that patriotic letter. One place to look is the debate in Washington, D.C., over derivatives legislation. As it currently stands, the billions of dollars in profit in the derivatives business are basically controlled by the biggest dealers, including J. P. Morgan and Goldman. Critics say that those profits are protected by the opacity of the market, because no one can see the pricing. It's as if your only source for the price of a share of IBM were whatever the dealer told you it was. Today, everyone, *but everyone,* advocates more transparency in the name of preventing the hidden tangle of risk that almost destroyed the financial system. As Blankfein says, transparency is "motherhood and apple pie."

But the devil is in the details. In what one person describes as "hand-to-hand combat" in the dark alleys of D.C., Goldman and the other big dealers are seeking exemptions to some proposed new requirements that would help shine a big spotlight on derivatives trading—thereby hoping to keep the market murky. "Every time we go into a member of Congress's office, they already have a Goldman Sachs white paper on this," marvels another person who is active in Washington. The dealers, including Goldman, argue that they are trying to preserve their clients' profits, not their own.

All in all, Goldman executives seem to be gambling that the current mood, in which the rest of us are rethinking the system that brought us to the very edge, and maybe into the depths, of a vast black pit, will blow over. And they may be right.

Meanwhile, to steal a line from Blankfein's boss (Luke 12:48): From those who have been given much, much will be demanded.

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Goldman's Succession Fight Roiled by Infamous Op-Ed

By William D. Cohan Mar 25, 2012 6:01 PM CT

More often than not during the past 100 years, succession to the top job at Goldman Sachs (GS) has been a blood sport.

A careful reading of former Goldman employee Greg Smith's infamous New York Times op-ed article -- along with a twist of conspiracy theory -- suggests that the jockeying to replace Lloyd Blankfein, who has been Goldman's chief executive officer since June 2006, is well under way.

It's also possible that Smith may have unwittingly, or perhaps wittingly, given a boost to one candidate previously thought to have been out of the running: J. Michael Evans, head of the firm's global growth markets.

Despite what Goldman would have you believe about how carefully orchestrated its leadership changes have always been, the firm has rarely had an orderly succession. Consider the exit of Waddill Catchings, the first person from outside the family to run Goldman Sachs. In 1930, partners Sidney Weinberg and Walter Sachs decided that Catchings, whose creation of the Goldman Sachs Trading Corporation had by then cost the firm $13 million and nearly put it out of business, had to go.

Firm's Near-Collapse

Sachs first met with Catchings in Chicago to clip his wings, and Catchings apologized for having taken gambles without the approval of all partners. A few months later, Sachs and his brother Arthur decided to buy Catchings out of his contract for $250,000. "We had made up our minds to ask him to retire," Walter Sachs recalled in an oral history in the 1950s. "This was because it had become clear to us that we just didn't think alike, that he had come as near ruining the name and the reputation of the firm as any man could do."

The Sachses selected Weinberg to be the senior partner, and he went on to become one of the greatest investment bankers of his generation. Yet he, too, refused to leave the stage gracefully in favor of his successor, Gus Levy. So in the mid- 1960s, Levy forced Weinberg to move from Goldman's headquarters in downtown Manhattan to an office in the Seagram's Building in Midtown. But even kept out of the day-to-day flow, Weinberg would not go quietly, and until his death in 1969 he made sure Levy knew that he was still responsible for pay and promotions at Goldman.

After Levy's sudden death in 1976 -- he suffered a stroke at a Port Authority board meeting -- the "Two Johns" (John Whitehead and John Weinberg, son of Sidney) succeeded him, although Whitehead thought he should have had the position alone. Things went fairly smoothly after Whitehead retired and joined the State Department, with Weinberg running the firm alone beginning at the end of 1984.

Yet by the end of the decade, Weinberg -- like his father before him -- was sent packing to the Seagram's Building to make way for Robert Rubin and Steve Friedman to lead Goldman, in December 1990. Rubin and Friedman had grown impatient that Weinberg would not leave gracefully. That partnership worked fine until Rubin left in January 1993 to join the Bill Clinton administration, and then Friedman abdicated his position for health reasons. This set off a week of ferocious infighting in 1994 at Goldman Sachs, with Jon Corzine being named senior partner and Hank Paulson becoming his No. 2.

But Corzine and Paulson never got along. Corzine seemed eager to merge Goldman with another Wall Street firm, an idea Paulson resisted. Eventually, in January 1999, Paulson seized his opportunity to get the four votes he needed on Goldman's five-member executive committee to remove Corzine, a swift coup- d'etat. Two of the four votes came from partners John Thornton and John Thain -- a longtime Corzine ally. In exchange, Paulson promised the men that they would succeed him one day.

Promise Not Kept

But Paulson reneged on that promise, deciding in the end that neither man had the right stuff to lead Goldman. When Paulson became Treasury secretary in 2006, he thought Blankfein, who had come from the trading floor, would be the better choice to lead a firm so heavily dependent on trading revenue and profit.

The machinations inside Goldman to succeed Blankfein are no less Kremlin-like than at other times in its history. Lately, Goldman insiders have been positioning Gary Cohn, Goldman's 51- year-old president and a longtime Blankfein ally, as the obvious candidate to succeed Blankfein when the time comes. This is a relatively new development because many thought that promoting Cohn, another former trader, would conflict with Goldman's supposed new priority on being client-friendly and a

corporate good citizen. But insiders note that Cohn has become much more statesmanlike in the past year, and point to his high-profile appearance at the World Economic Forum in Davos, Switzerland, in January as evidence.

No doubt Cohn's renaissance has miffed the uber-competitive Evans, a former Olympic gold-medalist (in rowing) and a Goldman vice chairman. Evans had been a serious contender for the top job, and in 2010 was made co-chairman of Goldman's internal Business Standards review committee, which published a report on the firm's role in the financial meltdown in January 2011. However, insiders tell me, Evans's ambitions and sharp elbows had upset a number of important colleagues, and his star was falling.

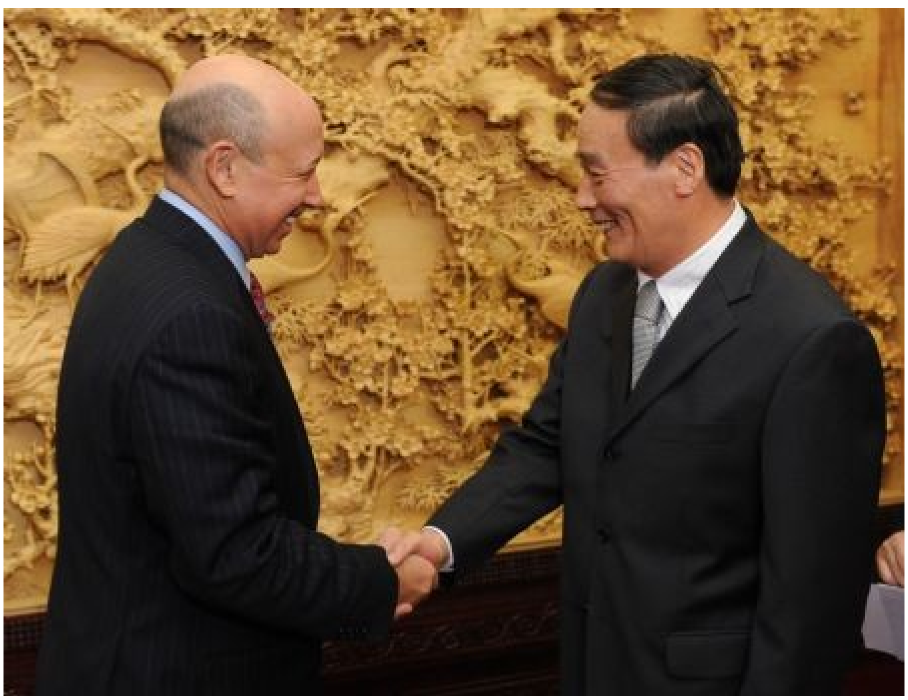
Enter Greg Smith with his bombshell. Evans has spent much of his Goldman career at the London office, where Smith worked, and they certainly knew each other. In his op-ed article, Smith specifically cited Blankfein and Cohn as responsible for the deterioration of Goldman's culture during his almost 12 years at the firm. Smith made no mention of Evans.

The logical question is, who benefits from Smith's embarrassing public indictment of Goldman's culture under the leadership of Blankfein and Cohn? How about the Machiavellian Evans, a former protege of Paulson's who can be presented to the Goldman board -- and to the public -- as a worldly, client- oriented, cleaner-than-clean savior and return of the old-school style investment-banker at Goldman?

"Why doesn't anyone call the Greg Smith story what it is, the next round of alpha war at the top of GS?" one observer recently e-mailed me. Why not, indeed.

(William D. Cohan , a former investment banker and the author of "Money and Power: How Goldman Sachs Came to Rule the World," is a Bloomberg View columnist. The opinions expressed are his own.)

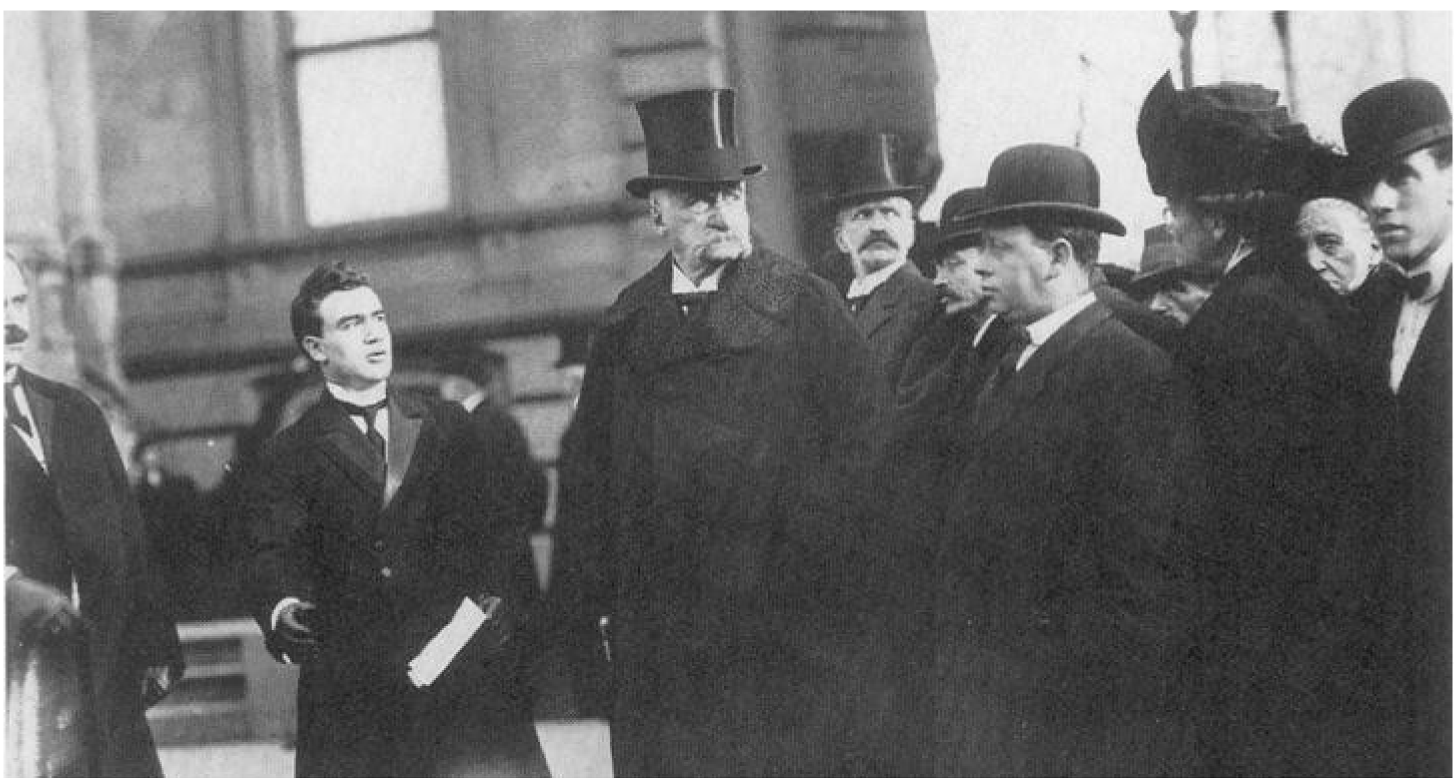
Source: http://www.bloomberg.com/news/2012-03-25/goldman-s-succession-fight-roiled-by-infamous-op-ed.html



Lloyd Blankfein (left), chairman of the board of Goldman Sachs, greets Wang Qishan, Vice Premier of Communist China, in Beijing, Communist China on December 1, 2009. (Xinhua/Huang Jingwen)

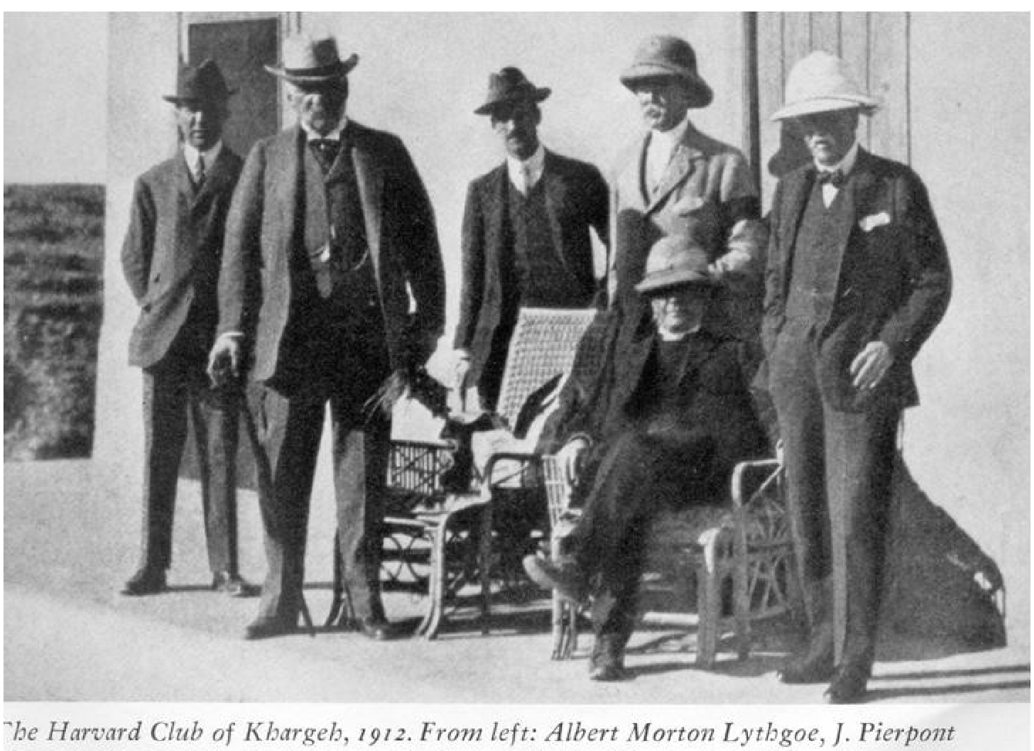
J.P. Morgan & Company and The House of Morgan

International banker John Pierpont Morgan confronts a photographer in May 1910.
(Photo: Library of Congress Prints and Photographs Division)



John Pierpont Morgan (center) gazes ferociously at bystanders at the funeral of U.S. Senator John Fairfield Dryden in 1911.

John Pierpont Morgan (center) arrives at the Pujo hearings in Washington, D.C. in December 1912 along with his daughter Louisa Satterlee (left) and his son J.P. “Jack” Morgan Jr. John Pierpont Morgan died in Rome, Italy on March 31, 1913; John Pierpont Morgan was born in Hartford, Connecticut, U.S.A. on April 17, 1837.

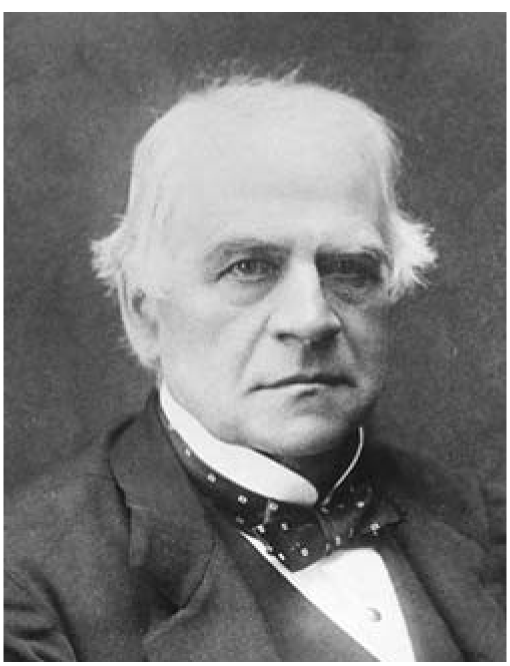


The Harvard Club of Khargeh, 1912. From left: Albert Morton Lythgoe, J. Pierpont Morgan, Herbert Eustis Winlock, Dr. Francis Parker Kinnicutt, William Lawrence, John Lambert Cadwalader


International banker John Pierpont Morgan with his daughter Louisa Satterlee and son J.P. “Jack” Morgan Jr. (Photo: Time Life)

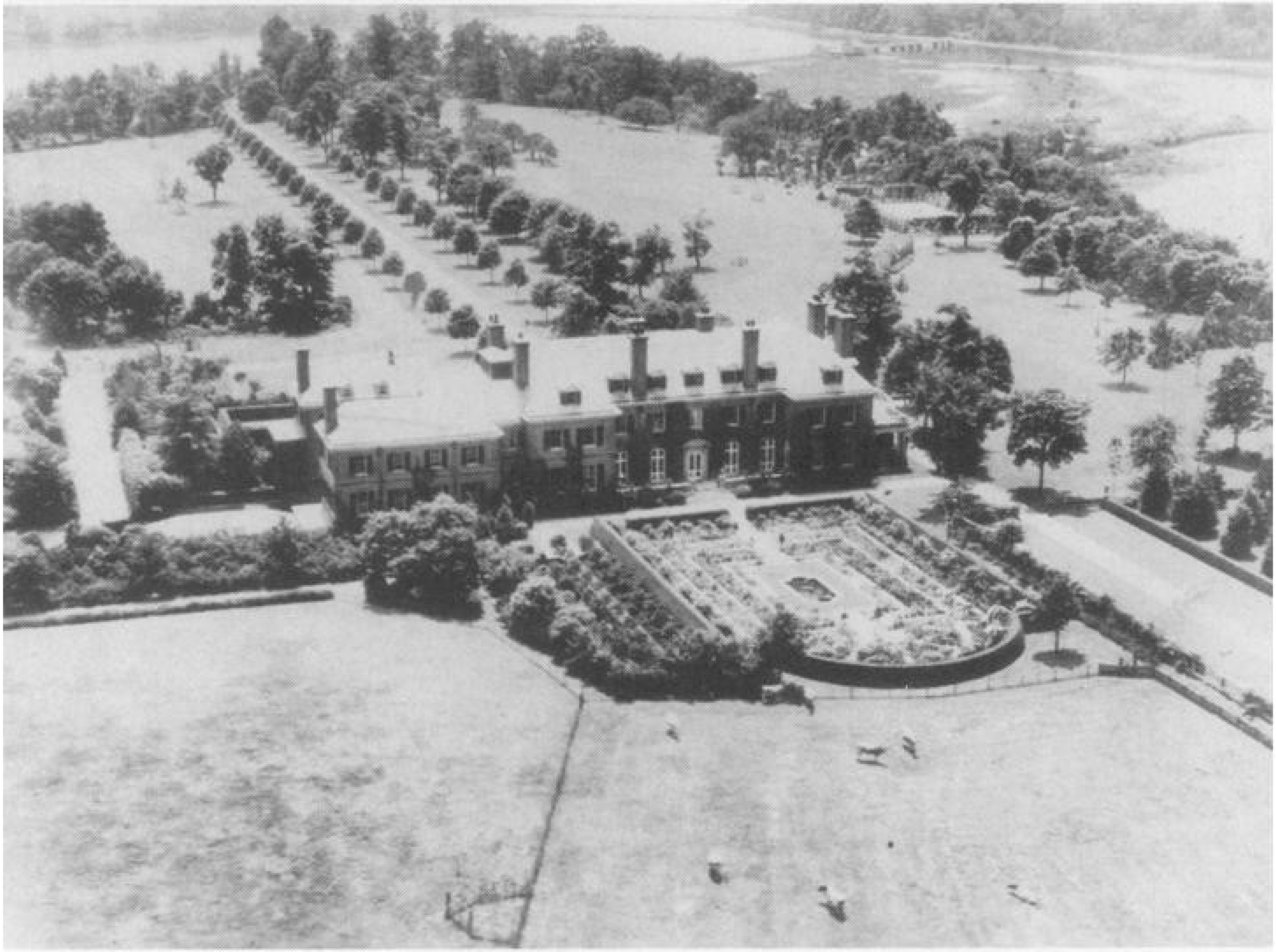
The J. Pierpont Morgan home at 219 Madison Avenue

(Photo: *The House of Morgan* by Ron Chernow)



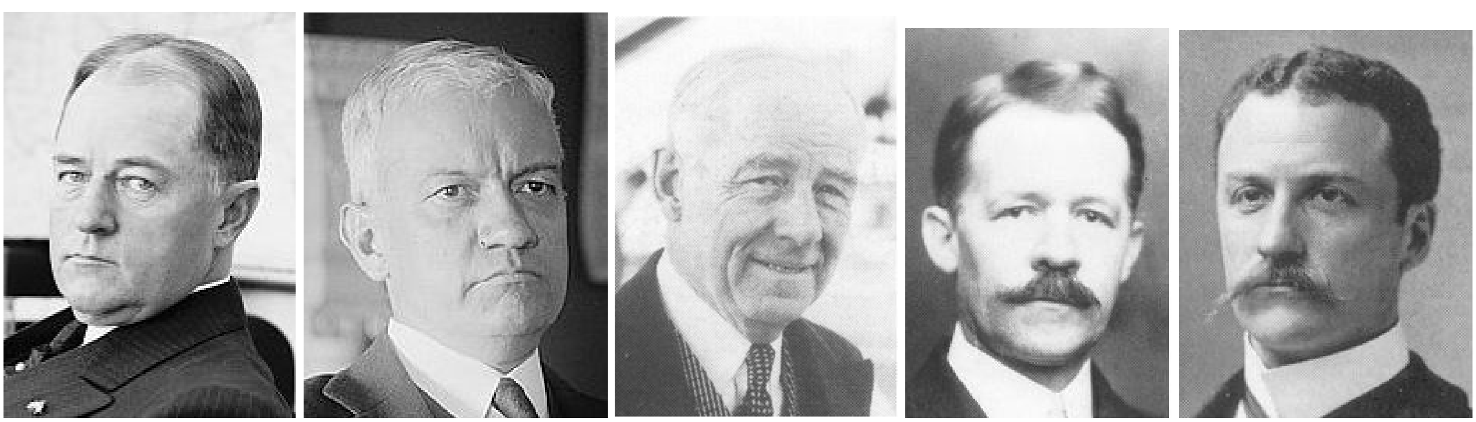

John Pierpont Morgan's father and mother, Junius Spencer Morgan (left, 1813-1890) and Juliet Pierpont Morgan

The Morgan family's home at Prince's Gate in London (Photo: *The House of Morgan* by Ron Chernow)



30. Jack's estate, Matinicock Point, on East Island, off Long Island's North Shore

Jack Morgan's home (Photo: *The House of Morgan* by Ron Chernow)



J.P. Morgan & Co. partners in the early 1900s (left to right): Henry P. Davison, Russell C. Leffingwell, Thomas W. Lamont, George W. Perkins Sr., and Robert Bacon (former U.S. Secretary of State)

Willard Straight, the Morgan agent in China, walks with his heiress wife, the former Dorothy Whitney.
(Photo: *The House of Morgan* by Ron Chernow)

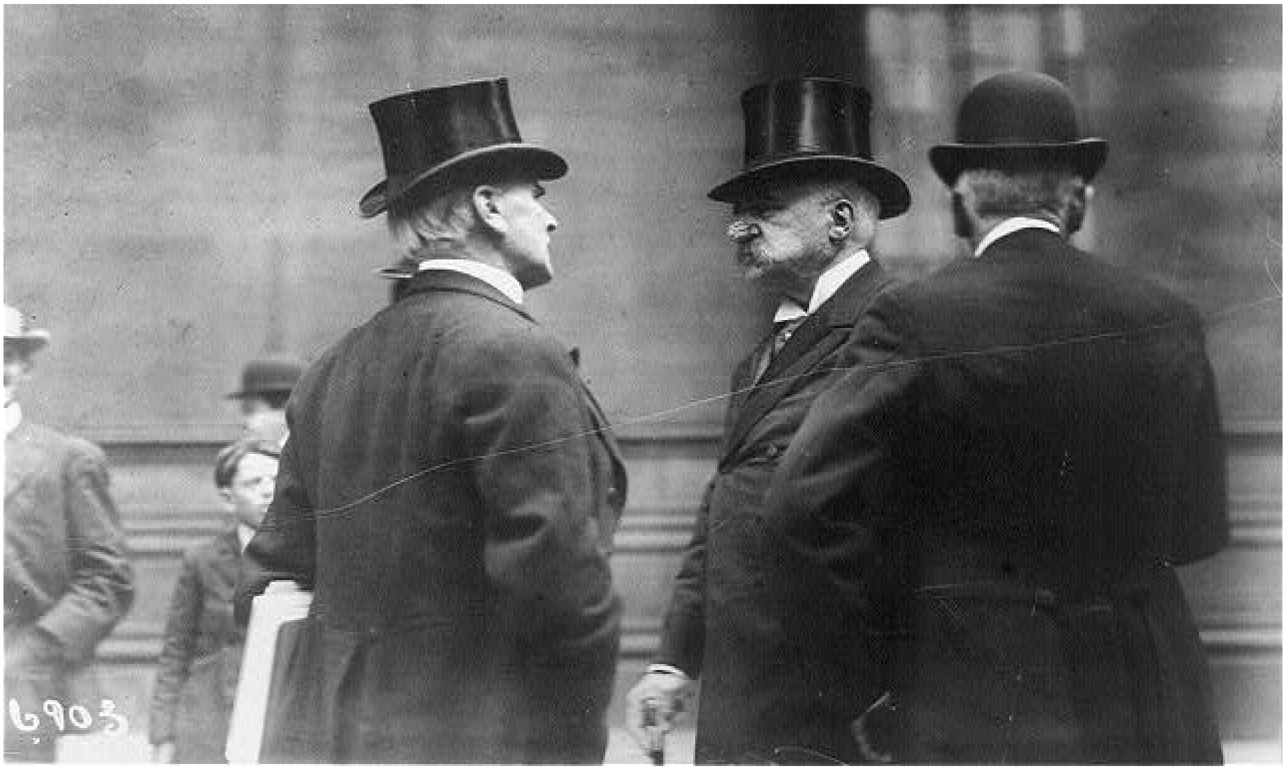
Wall Street banker and Morgan agent Willard Straight (seated on the right) meets with William J. Calhoun, the U.S. Minister to China, and Chinese Colonel Tsat Ting-Kan. (Photo: *The House of Morgan* by Ron Chernow)

72. The partners' room of Morgan Grenfell. In this pre-Guinness photograph, Lord Stephen Catto, chairman of the holding company, sits between joint chairmen Christopher R. Reeves (right) and Charles F. M. Rawlinson.

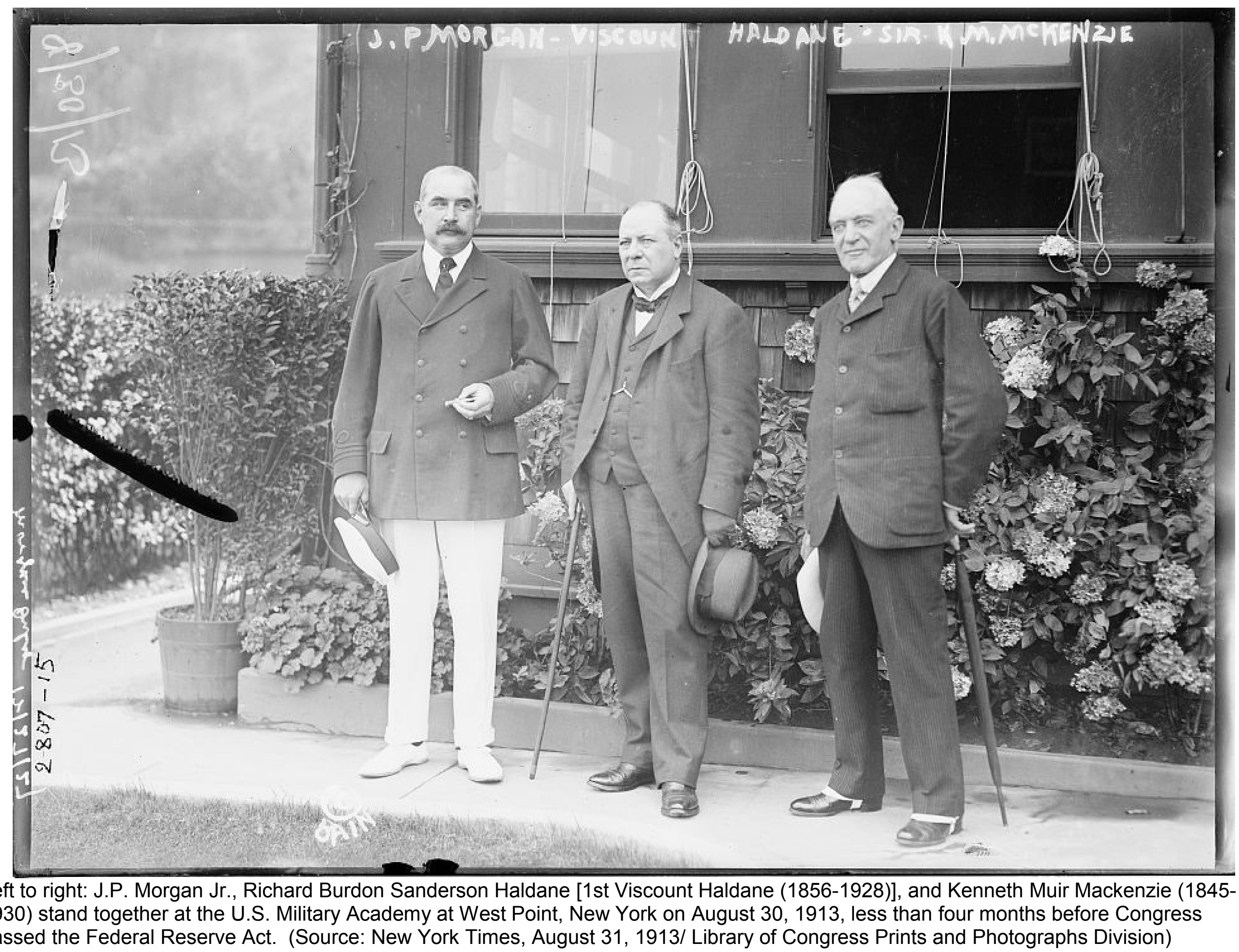
(Photo: *The House of Morgan* by Ron Chernow)

73. 23 Great Winchester Street, home of Morgan Grenfell since the 1920s

(Photo: *The House of Morgan* by Ron Chernow)



J.P. Morgan talks to another banker in October 1907, just before the Panic.



Left to right: J.P. Morgan Jr., Richard Burdon Sanderson Haldane [1st Viscount Haldane (1856-1928)], and Kenneth Muir Mackenzie (1845-1930) stand together at the U.S. Military Academy at West Point, New York on August 30, 1913, less than four months before Congress passed the Federal Reserve Act. (Source: New York Times, August 31, 1913/ Library of Congress Prints and Photographs Division)

Four women in Pierpont Morgan's life

7. Pierpont's frail estranged wife, Frances Tracy Morgan, known as Fanny, in 1902

8. Pierpont's mistress, actress Maxine Elliott, as Portia in *The Merchant of Venice* in 1901

9. Pierpont's daughter, Anne, in 1915. Her *ménage à trois* at Versailles with two other women scandalized her father.

10. Pierpont's saucy librarian, Belle da Costa Greene, at a Republican party meeting in 1916

"But they that will be rich fall into temptation and a snare, and into many foolish and hurtful lusts, which drown men in destruction and perdition. For the love of money is the root of all evil." – 1 Timothy 6: 9-10 (KJV)

Morgan (second from right on the stairs) with distinguished guests at Nuneham Park, 1907. King Edward VII sits in the center.

American banker John Pierpont Morgan Sr., the head of J.P. Morgan & Co. banking firm in New York City, and His Royal Majesty King Edward VII of Great Britain attend a house party at the Harcourts' Nuneham Park estate in Great Britain in 1907.

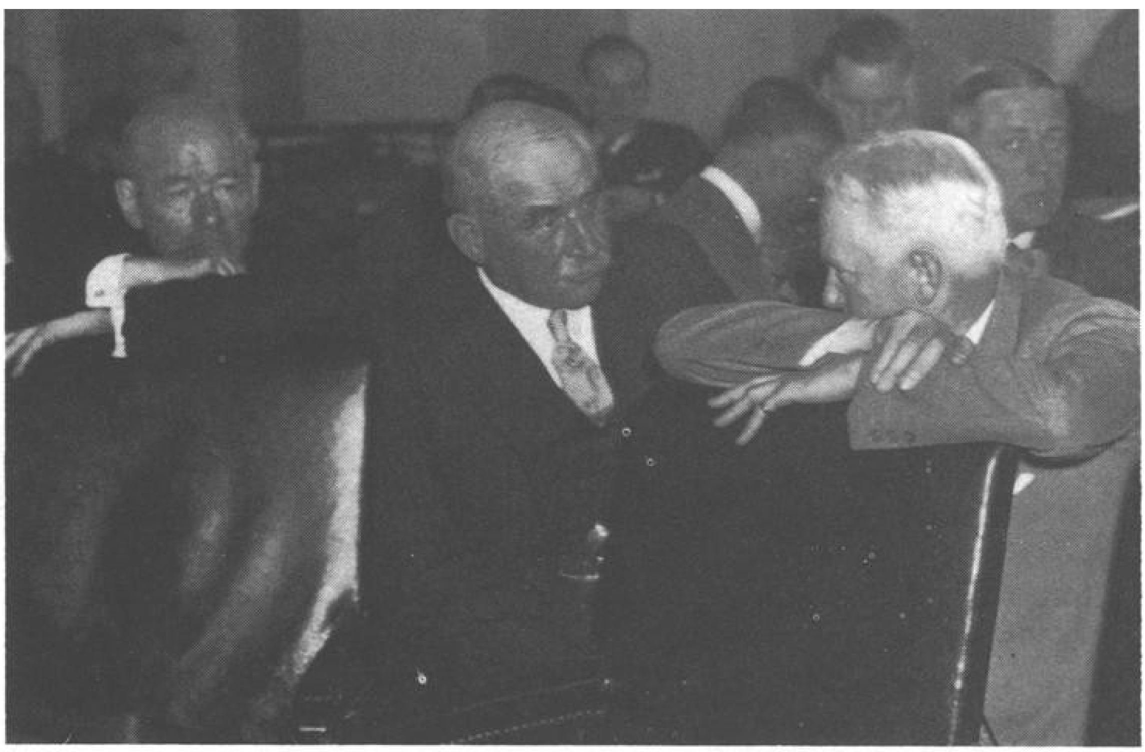
35. View of 23 Wall Street, right, in the Jazz Age

34. September 1920 bomb blast outside the House of Morgan. The explosion killed two employees and damaged the building's northern facade.

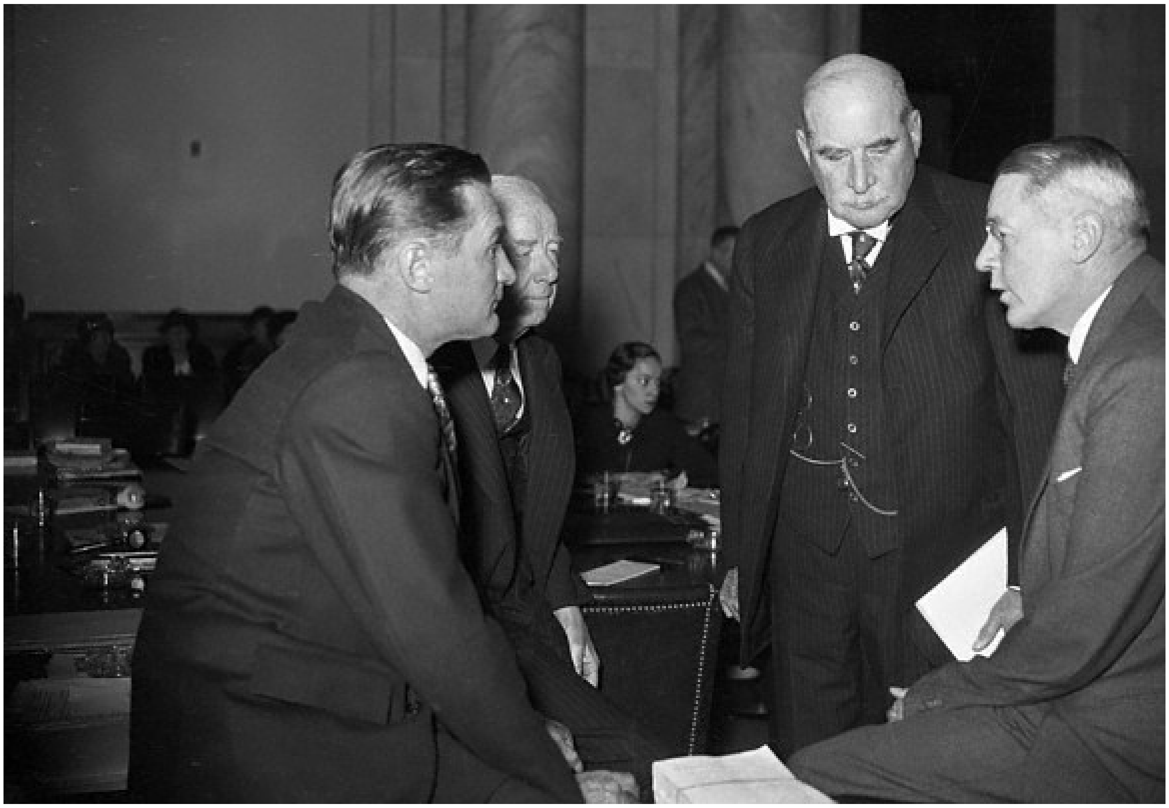
The 1920 Wall Street Bombing: A bomb blast occurs outside the House of Morgan in downtown Manhattan in New York City on September 16, 1920. (Photo: *The House of Morgan* by Ron Chernow)

Albert H. Wiggin (left) and J.P. Morgan Jr. (center) attend a “Liberty Day” parade.
(Photo: Library of Congress Prints and Photographs Division)

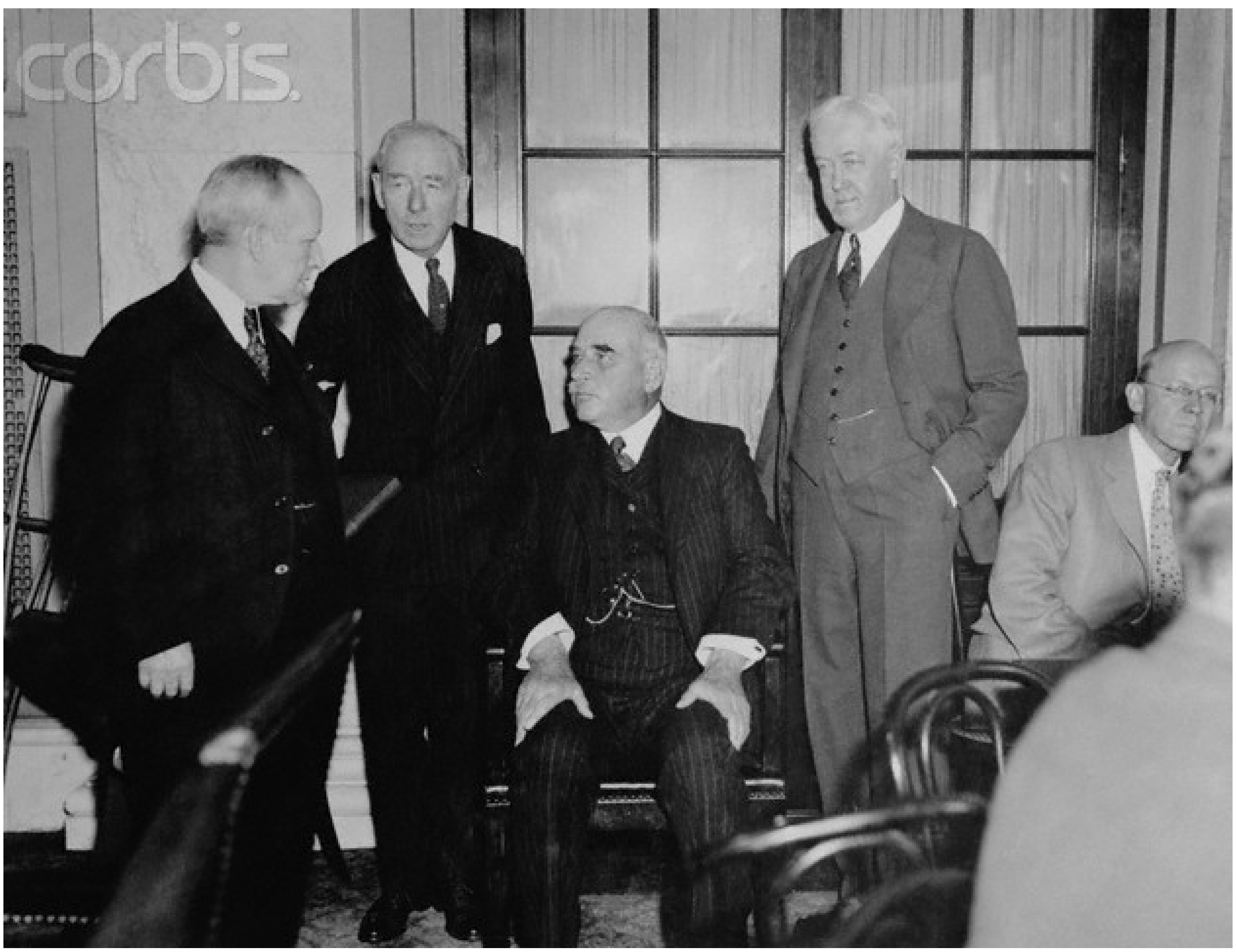
Morgan partner Russell Leffingwell (at right, leaving Senate hearing chamber with Morgan) was the CFR's first chairman.



Founding CFR president John W. Davis (right) was J. P. Morgan's personal attorney. Above, Morgan and Davis confer during Senate inquiry into the banking practices of the Morgan corporation. Thomas Lamont, Morgan partner and founding Council member, is at left.

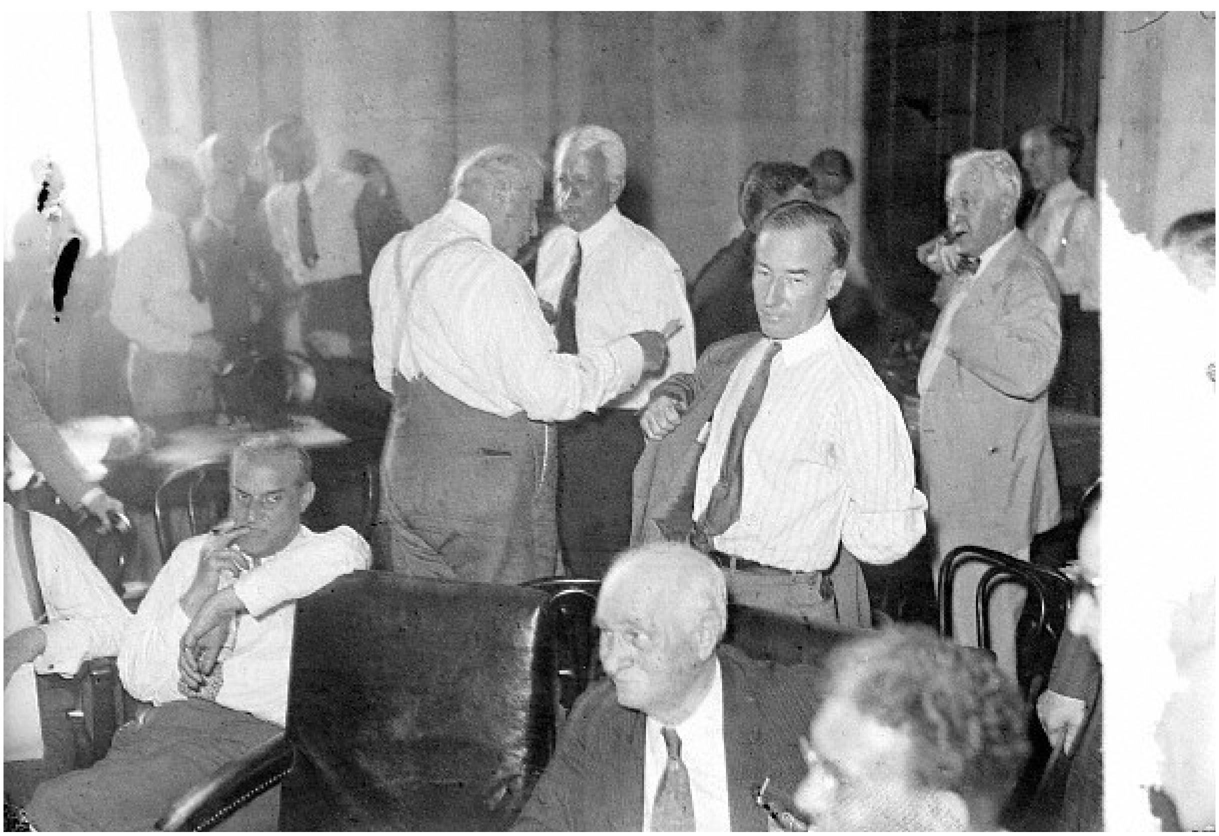


Senate Chairman Gerald P. Nye and members of the House of Morgan talk as the bankers again testified before the Senate Munitions Committee in Washington, D.C. on January 16, 1936. Left to right: Senator Gerald P. Nye of North Dakota; Thomas W. Lamont, John Pierpont Morgan and George Whitney. (Bettmann/CORBIS)



International banker J.P. Morgan Jr. (seated), head of the greatest banking concern in the world, chats with John W. Davis, right, his counsel; Thomas W. Lamont, (second from left), his partner; and Senator John J. Townsend of Maryland, a member of the Senate Committee on Banking and Currency, in Washington, D.C. on May 23, 1933 before Ferdinand Pecora, counsel to the committee, opened the investigation into the banking situation. Davis and Lamont were members of the Council on Foreign Relations. (Bettmann/CORBIS)

These three Wall Street notables, all partners of J.P. Morgan & Company, appear before the Senate Interstate Commerce Committee on March 5, 1937 to answer questions in the committee's current investigation into railroad financing. Left to right in the group: Harold S. Stanley, George Whitney, and Thomas W. Lamont. Stanley, Whitney, and Lamont were members of the Council on Foreign Relations. (Bettmann/CORBIS)



With the mercury over 90, J.P. Morgan Jr. and his partners banished their coats as they listened to testimony during the Senate investigation of the House of Morgan at Washington, D.C. on June 8, 1933. Russell Leffingwell, a Morgan partner is shown talking to Morgan. Harold Stanley, another partner is at right. (Bettmann/CORBIS)

International banker J.P. Morgan Jr. appears before Congress in Washington, D.C. in 1936 during his Congressional investigation. At left is Frank Vanderlip, President of the National City Bank. At right is George Whitney. (Bettmann/CORBIS)

American Delegation to Experts Conference participants (left to right) Thomas W. Lamont, J.P. Morgan Jr., and Owen D. Young arrived in Paris, France aboard the *Aquitania*. They are here shown at the Gare St. Lazare train station in Paris. (Bettmann/CORBIS)

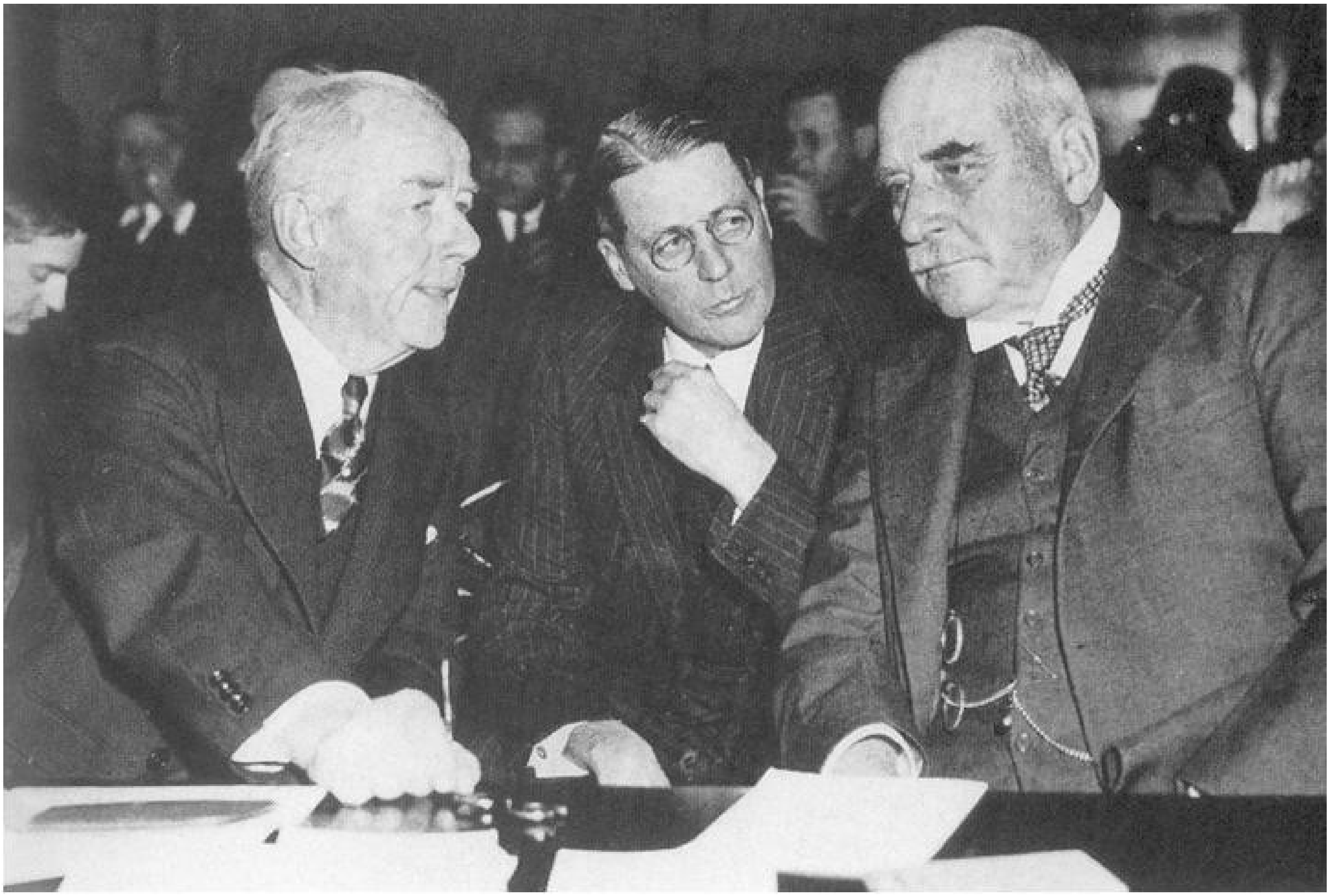
John Pierpont Morgan Jr. (right) and Thomas W. Lamont, partner, are questioned by the State Munitions Committee concerning financial operations during World War I in Washington, D.C. on January 7, 1936. (Bettmann/CORBIS)

Morgan Partners meet in the caucus room of the Senate Office Building in Washington, D.C. on May 31, 1933 as the Morgan Hearing reopened. Left to right: Junius S. Morgan, son of J.P. Morgan, Harold Stanley, George Whitney, Thomas W. Lamont, and Fred Schwartz of the Davis Law Firm (counsel for Morgan). Everyone except for Fred Schwartz was a member of the Council on Foreign Relations. (Bettmann/CORBIS)

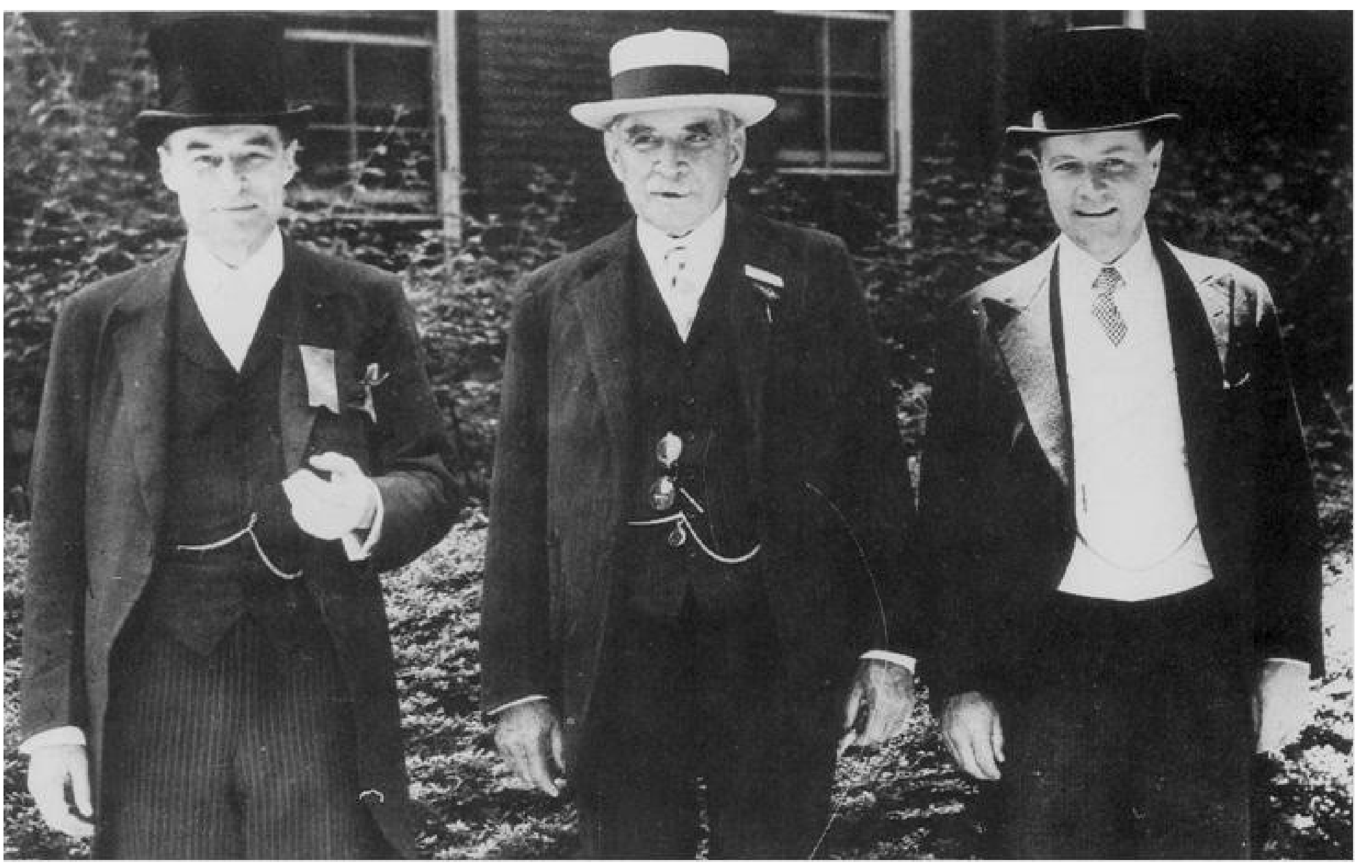
"The Morgan bank, headquartered in the low fortress-like building at the juncture of Wall and Broad streets, was commonly referred to as "the Corner." Directly across Wall Street were the old Sub-Treasury Building and the U.S. Assay Office; the New York Stock Exchange and the Bankers Trust tower stood at the southwest and northwest corners of the intersection. Most of the important New York banks and investment firms were within a few hundred yards. J.P. Morgan & Co. was truly at the financial center of the nation and deserved its premium location. Comparative underwriting statistics understated the powerful influence of the firm, reflecting its standing at the summit of the financial community for over three decades. Its political connections were at the highest levels in Washington and London. **In a real sense the Morgan bank was the gatekeeper controlling access to the huge sums of capital needed by the biggest and best corporations and foreign governments. U.S. Steel, General Motors, General Electric, A.T.&T., Great Britain , France, and the list went on – were all Morgan clients.** Bankers regularly speculated as to how the Corner would regard a proposal; Morgan's support or rejection could make or break a deal." – *The Ambassador from Wall Street: The Story of Thomas W. Lamont, J. P. Morgan's Chief Executive* by Edward M. Lamont, p. 239

"The year 1927 was a good one for TWL in garnering foreign decorations. Earlier in the year the Morgan bank had organized several loans for Italian borrowers, including the City of Rome and the giant industrial company Pirelli. In December, J.P. Morgan & Co. extended a credit of $25 million to the Banco d'Italia as part of an international loan for stabilizing the lire as Italy returned to the gold standard. At year-end royal awards were conferred on Lamont and Morgan, Lamont being appointed a Commander of the Order of the Saints Mauritius and Lazarus. For the year 1927, Dow Jones & Co., the financial service, reported that the Morgan firm was the leading syndicate manager of bond issues, with just over $500 million to its credit. National City Bank and Kuhn, Loeb were not far behind. Since the war, foreign bond issues had comprised about a third of the Morgan-managed offerings. First Austria, then Germany, Great Britain, Belgium, and now Italy had returned to the gold standard over the last four years, and the Morgan partners expected that France would shortly follow suit. International loans and credits, in which Morgan's leadership had been instrumental, had buttressed the reserves of these countries as they tied their currencies to gold. The Morgan partners believed that the bankers had played a very constructive role in strengthening the world's economies. But not all the foreign bonds being sold to American investors were soundly based, especially some of the South American and Balkan government issues. In a talk before the International Chamber of Commerce in Washington on May 2, 1927, Lamont warned investors to be careful: "I have in mind the reports…of American bankers and firms competing on almost a violent scale for the purpose of obtaining loans in various foreign money markets overseas. "Naturally it is a tempting thing for certain of the European governments to find a horde of American bankers sitting on their doorsteps offering them money…That sort of competition tends to insecurity and unsound practice." The profit to bankers in the reckless underwriting of foreign loans was at the public expense. Indeed, weak bank credits, such as advances to Latin American governments, might well be paid off from the proceeds of bond issues sold to trusting investors whose losses came later. The pacesetter among the bankers aggressively underwriting and selling foreign bonds with little investigation and dubious prospects was Charles E. Mitchell, the affable and dynamic head of National City Bank and its investment affiliate. He and others like him paid little heed to TWL's warning."
– *The Ambassador from Wall Street: The Story of Thomas W. Lamont, J. P. Morgan's Chief Executive* by Edward M. Lamont, p. 238-239

"Mussolini had dispatched hundreds of aircraft, a large supply of arms, and at least 50,000 troops to Spain to join Franco's forces in their drive to overthrow the Loyalist government, a topic TWL [Thomas W. Lamont] had not brought up with the Duce. "You will ask why I did not throw Spain at his head." Spain was "a sore subject," said TWL, and it was unnecessary to raise it. Mussolini knew he had to find a way to get out of Spain. TWL had informed American ambassador William Phillips about his meeting with the Duce, and he was "simply delighted, made much more of the matter than it deserved." "I had no desire to see Mussolini, but as he actually sent for me I could not, without discourtesy, decline to see him," explained Lamont. Mussolini was viewed with repugnance in the West after years of Fascist repression, the bloody conquest of Ethiopia, military support for Franco, and the formation of the Rome-Berlin Axis to collaborate with Hitler. Bond issues for Italy had been out of the question for years, a full decade in the Morgan bank's case. In 1937 TWL clearly was concerned about how others might perceive his willingness to meet the brutal dictator he had once admired for making the trains run on time. But simply berating Mussolini was counterproductive, he felt, and, as **Lamont had told his son, "I would talk to any dictator in Europe or gangster in America if I thought it would help."** Back in his hotel in Rome, Lamont drafted a memorandum to [Giovanni]Fummi [the Morgan representative in Rome] elaborating on his ideas to help Italy present itself to "enlighten American and British opinion." Visitors should study modern Italy – its public works, reclamation projects, and social programs to appreciate how "the Italian people are committed to the pursuits of peace and prosperity." It was not the first time TWL had applied his own spin to shape public opinion."
– *The Ambassador from Wall Street: The Story of Thomas W. Lamont, J. P. Morgan's Chief Executive* by Edward M. Lamont, p. 409
Note: Thomas W. Lamont met with Italy's dictator Benito Mussolini in Rome, Italy on April 16, 1937.



Council on Foreign Relations members Thomas W. Lamont (left) and George Whitney (center) advise J.P. "Jack" Morgan Jr. in January 1936. J.P. Morgan and his son J.P. Morgan Jr. were not members of the Council on Foreign Relations.
(Photo: *The House of Morgan* by Ron Chernow)



J.P. "Jack" Morgan Jr. appears with his sons Junius S. Morgan (left) and Henry S. Morgan in 1939. Both Junius S. Morgan and Henry S. Morgan were members of the Council on Foreign Relations. (Photo: *The House of Morgan* by Ron Chernow)

Thomas W. Lamont, George Whitney, Leonard Keyes (standing), J.P. Morgan Jr., John W. Davis, and Russell C. Leffingwell appear at a Senate banking and currency committee hearing in 1933. Everyone except for Morgan and Keyes was a member of the Council on Foreign Relations.

J.P. "Jack" Morgan Jr. advises King George VI of Great Britain (left) at an embassy tea garden party in Washington D.C. in June 1939. J.P. "Jack" Morgan Jr.'s father was J.P. Morgan. (Photo: *The House of Morgan* by Ron Chernow)

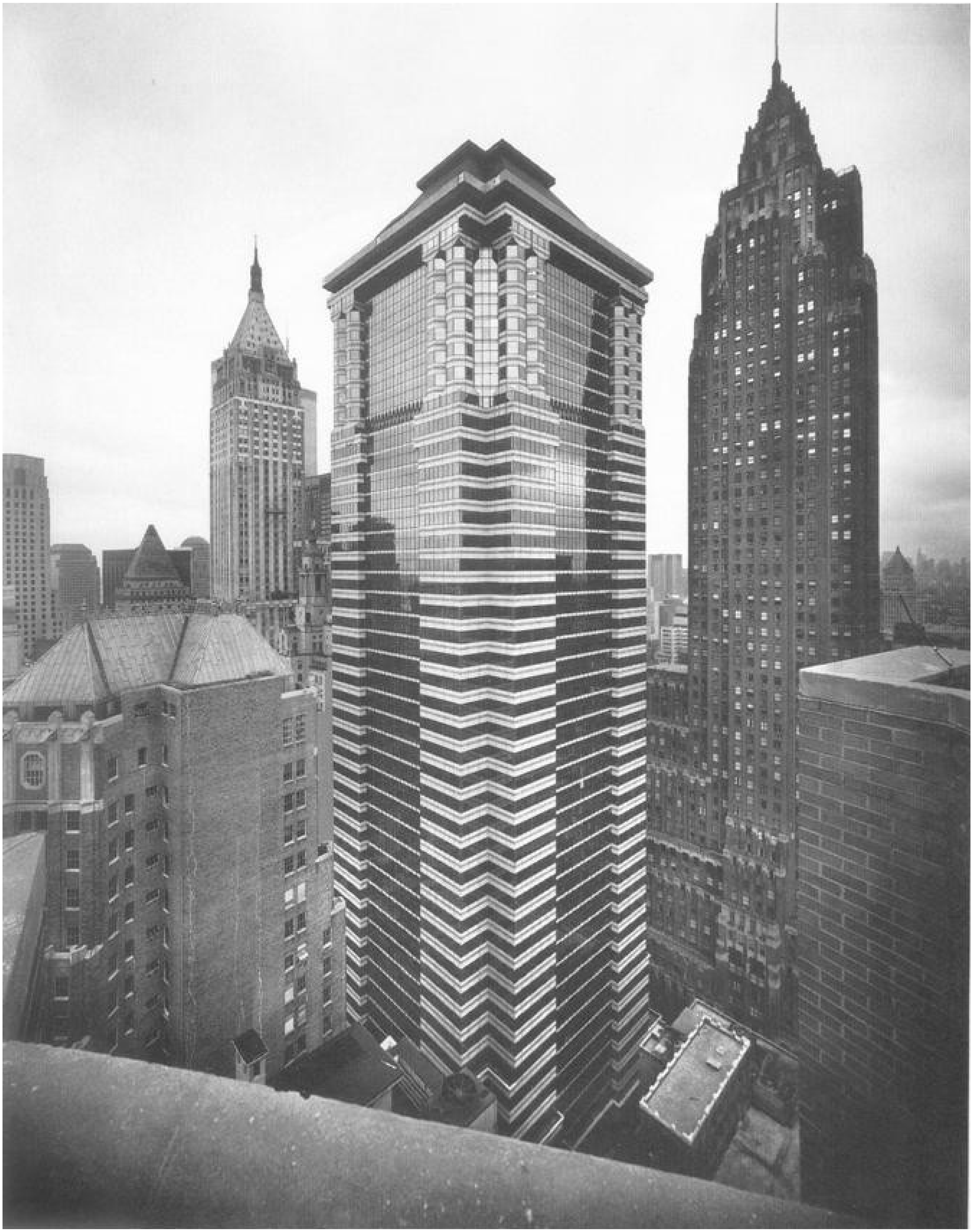
Jack Morgan, Jessie Morgan (at Jack's right), and Teddy Grenfell ride aboard the *Corsair* boat with Mr. Gardiner and Miss Williams. (Photo: *The House of Morgan* by Ron Chernow)

Counsel Ferdinand Pecora (left) observes J.P. Morgan & Co. partner J.P. "Jack" Morgan Jr. as U.S. Senator Carter Glass, wearing a hat, walks toward his seat. (Photo: *The House of Morgan* by Ron Chernow)

J. P. "Jack" Morgan and his son Junius (leaning) listen to the proceedings of the Pecora hearings investigating the stock market and financial practices, in May 1933. Morgan was the star witness for the committee, which interviewed dozens of Wall Street bankers, brokers, and traders.

George Peabody, godfather and founder of the House of Morgan (Photo: *The House of Morgan* by Ron Chernow)

"Any reform of Wall Street practices came from pressure from the hinterlands, especially from the farming West, and was long delayed by the close alliance of Wall Street with the two major political parties, which grew up in 1880-1900. In this alliance, by 1900, the influence of Morgan in the Republican Party was dominant, his chief rivalry coming from the influence of a monopoly capitalist, Rockefeller of Ohio. By 1900 Wall Street had largely abandoned the Democratic Party, a shift indicated by the passage of the Whitney family from the Democrats to the Republican inner circles, shortly after they established a family alliance with Morgan. In the same period, the Rockefeller family reversed the ordinary direction of development by shifting from the monopoly fields of petroleum to New York banking circles by way of the Chase National Bank. Soon family as well as financial alliances grew up among the Morgans, Whitneys, and Rockefellers, chiefly through Payne and Aldrich family connections. **For almost fifty years, from 1880 to 1930, financial capitalism approximated a feudal structure in which two great powers, centered in New York, dominated a number of lesser powers, both in New York and in provincial cities.** No description of this structure as it existed in the 1920's can be given in a brief compass, since it infiltrated all aspects of American life and especially all branches of economic life. At the center were a group of less than a dozen investment banks, which were, at the height of their powers, still unincorporated private partnerships. These included J. P. Morgan; the Rockefeller family; Kuhn, Loeb and Company; Dillon, Read and Company; Brown Brothers and Harriman; and others. Each of these was linked in organizational or personal relationships with various banks, insurance companies, railroads, utilities, and industrial firms. The result was to form a number of webs of economic power of which the more important centered in New York, while other provincial groups allied with these were to be found in Pittsburgh, Cleveland, Chicago, and Boston. J. P. Morgan worked in close relationship to a group of banks and insurance companies, including the First National Bank of New York, the Guaranty Trust Company, the Bankers Trust, the New York Trust Company, and the Metropolitan Life Insurance Company. The whole nexus dominated a network of business firms which included at least one-sixth of the two hundred largest nonfinancial corporations in American business. Among these were twelve utility companies, five or more railroad systems, thirteen industrial firms, and at least five of the fifty largest banks in the country. The combined assets of these firms were more than $30 billion. They included American Telephone and Telegraph Company, International Telephone and Telegraph, Consolidated Gas of New York, the groups of electrical utilities known as Electric Bond and Share and as the United Corporation Group (which included Commonwealth and Southern, Public Service of New Jersey, and Columbia Gas and Electric), the New York Central railway system, the Van Sweringen railway system (Allegheny) of nine lines (including Chesapeake and Ohio; Erie; Missouri Pacific; the Nickel Plate; and Pere Marquette); the Santa Fe; the Northern system of five great lines (Great Northern; Northern Pacific; Burlington; and others); the Southern Railway; General Electric Company; United States Steel; Phelps Dodge; Montgomery Ward; National Biscuit; Kennecott Copper; American Radiator and Standard Sanitary; Continental Oil; Reading Coal and Iron; Baldwin Locomotive; and others. **The Rockefeller group, which was really a monopoly capitalist organization investing only its own profits, functioned as a financial capitalist unit in close cooperation with Morgan.** Allied with the country's largest bank, the Chase National, it was involved as an industrial power in the various Standard Oil firms and the Atlantic Refining Company, but it controlled over half the assets of the oil industry, plus the $2 1/3 billion assets in Chase National Bank. Kuhn, Loeb was chiefly interested in railroads, where it dominated the Pennsylvania, the Union Pacific, the Southern Pacific, the Milwaukee, the Chicago Northwestern, the Katy (Missouri-Kansas-Texas Railroad Company), and the Delaware and Hudson. It also dominated the Bank of Manhattan and the Western Union Telegraph Company for a total of almost $11 billion in assets. The Mellon group centered in Pittsburgh dominated Gulf Oil, Koppers, Alcoa, Westinghouse Electric, Union Trust Company, the Mellon National Bank, Jones and Laughlin Steel, American Rolling Mill, Crucible Steel, and other firms for total assets of about $3.3 billion. It has been calculated that the 200 largest nonfinancial corporations in the United States, plus the fifty largest banks, in the mid-1930's, owned 34 percent of the assets of all industrial corporations, 48 percent of the assets of all commercial banks, 75 percent of the assets of all public utilities, and 95 percent of the assets of all railroads. The total assets of all four classes were almost $100 billion, divided almost equally among the four classes. The four economic power blocs which we have mentioned (Morgan; Rockefeller; Kuhn, Loeb and Company; and Mellon) plus du Pont, and three local groups allied with these in Boston, Cleveland, and Chicago, together dominated the following percentages of the 250 corporations considered here: of industrial firms 58 percent of their total assets, of railroads 82 percent, and utilities 58 percent. The aggregate value of the assets controlled by the eight power groups was about $61,205 million of the total assets of $198,351 million in these 250 largest corporations at the end of 1935. The economic power represented by these figures is almost beyond imagination to grasp, and was increased by the active role which these financial titans took in politics. Morgan and Rockefeller together frequently dominated the national Republican Party, while Morgan occasionally had extensive influence in the national Democratic Party (three of the Morgan partners were usually Democrats). These two were also powerful on the state level, especially Morgan in New York and Rockefeller in Ohio. Mellon was a power in Pennsylvania and du Pont was obviously a political power in Delaware. In the 1920's this system of economic and political power formed a hierarchy headed by the Morgan interests and played a principal role both in political and business life. Morgan, operating on the international level in cooperation with his allies abroad, especially in England, influenced the events of history to a degree which cannot be specified in detail but which certainly was tremendous."
– *Tragedy and Hope* by Carroll Quigley, p. 530-532



60 Wall Street, new Morgan bank headquarters (Photo: *The House of Morgan* by Ron Chernow)

Office of J.P. Morgan & Co. in New York City in the early 1900s
(Photo: Library of Congress Prints and Photographs Division)

The Morgan Guaranty Trust Building at 23 Wall Street, on the corner of Wall Street and Broad Street, was built in 1913 for J. Pierpont Morgan--the year he died. "The Corner", or "The House of Morgan" served, for years, as the headquarters of the powerful JP Morgan & Company Bank (later the Morgan Guaranty Trust Company). On September 16, 1920, the building was the site of the Wall Street Bombing. 38 people were killed and 400 people were injured by the bombing. The building received heavy damage, with shrapnel entering the building through its large wide windows. To this day, the damage to the limestone façade is visible on the outside of the building, as the company said it would never repair the damage in defiance to those who committed the crime. In 1957 the building was linked to neighboring 15 Broad Street, a 42-story tower. In 1989, JP Morgan moved its operations to 60 Wall Street, a larger and more modern building two blocks to the east. The building was extensively renovated in the 1990s as a training and conference facility for J.P. Morgan & Co., destroying the grand banking hall. This building and 15 Broad Street were sold in 2003 for $100 million. The J.P. Morgan & Company Building was designated a landmark by the New York City Landmarks Preservation Commission in 1965. [National Register #7200874 (1972)] (Photo: Flickr)

Stanley Fischer:
Jewish Banker Extraordinaire?

Stanley Fischer (center) is received by Israel's Prime Minister Ariel Sharon (left) and Israel's Finance Minister Benjamin Netanyahu in the Prime Minister's office in Jerusalem, Israel on January 17, 2005. (Photo by Brian Hendler/Getty Images)

Jewish Banker greets Arab Terrorist: Stanley Fischer (left), the First Deputy Managing Director of the International Monetary Fund (IMF), prepares to shake hands with Palestinian Liberation Organization terrorist Yasser Arafat during a press conference in the lobby of the IMF building in Washington, D.C. on January 21, 2000. (Paul J. Richards/AFP/Getty Images)

Ehud Olmert (left), the Prime Minister of Israel and a member of the Kadima Party, greets Stanley Fischer (right), the Governor of the Bank of Israel, on December 20, 2006. (Photo: Moshe Milner/Israel Government Press Office (GPO))

Stanley Fischer (left), Governor of the Bank of Israel, shakes hands with Prime Minister of Israel Benjamin Netanyahu.

(From left to right) Former Bank of Israel Governor Jacob Frenkel, Prime Minister of Israel Benjamin Netanyahu, Finance Minister of Israel Yair Lapid and outgoing Bank of Israel Governor Stanley Fischer appear at a press conference in the Knesset in Jerusalem, Israel on June 24, 2013. Stanley Fischer is a member of the Council on Foreign Relations, a private organization in New York City; Jacob Frenkel is a member of the Trilateral Commission. **Jacob A. Frenkel, who was nominated to serve as the Governor of the Bank of Israel in 2013, withdrew his nomination due to a shoplifting allegation.** (Photo: GPO)

Stanley Fischer (left), Governor of the Bank of Israel, presents Prime Minister of Israel Benjamin Netanyahu with the Bank of Israel's 2012 annual report.

Gordon Brown (right), chairman of the International Monetary Financial Committee, speaks during a briefing with Stanley Fischer (left), acting Managing Director of the IMF, at the World Bank/IMF meeting in Washington D.C. on April 16, 2000.
(Leslie E. Kossoff/AFP/Getty Images)


Paul Volcker (left), Stanley Fischer (center, red tie), and William J. McDonough (right) have attended the Bilderberg Meetings in the past.

Rodrigo de Rato Figaredo (left), Spain's Minister of Economy, greets Stanley Fischer, First Deputy Managing Director of the International Monetary Fund, at the start of their meeting in Washington D.C. on April 30, 2001.
(Photo: Leslie E. Kossoff/AFP/Getty Images)

From left to right: Angel Gurria, Stanley Fischer (the Governor of the Bank of Israel), Michel Camdessus (former Managing Director of the International Monetary Fund), and Jean-Claude Trichet (President of the Central Bank of Europe) are seen laughing together during a meeting on May 22, 2006. Stanley Fischer and Jean-Claude Trichet attended the Bilderberg Meetings together in 1999.

First Deputy Managing Director of the International Monetary Fund Stanley Fischer (left), Federal Reserve Chairman Alan Greenspan (center), and International Monetary Fund Managing Director Michel Camdessus have a private conversation at a meeting on September 26, 1999. Alan Greenspan and Stanley Fischer are members of the Council on Foreign Relations. Stanley Fischer is currently the Governor of the Bank of Israel.

Stanley Fischer (right), Governor of the Bank of Israel, talks with Mark Carney, Governor of the Bank of Canada, during the Federal Reserve Bank of Kansas City annual symposium near Jackson Hole, Wyoming, U.S.A. on Thursday, August 26, 2010. Stanley Fischer and Mark Carney have attended the Bilderberg Meetings in the past. (Photo: Andrew Harrer/Bloomberg)

Israel's Finance Minister Benjamin Netanyahu watches Israel's Prime Minister Ariel Sharon greet Stanley Fischer, the Governor of the Bank of Israel, at the Prime Minister's Office in Jerusalem on May 1, 2005. Fischer attended the Bilderberg Meetings in 1996, 1998, and 1999. The Bank of Israel is Israel's central bank; the Bank of Israel finances the Israeli government, including the Mossad.

Stanley Fischer is received by Ariel Sharon, the Prime Minister of Israel, at the Prime Minister's office in Jerusalem on January 17, 2005. (Photo by Brian Hendler/Getty Images)

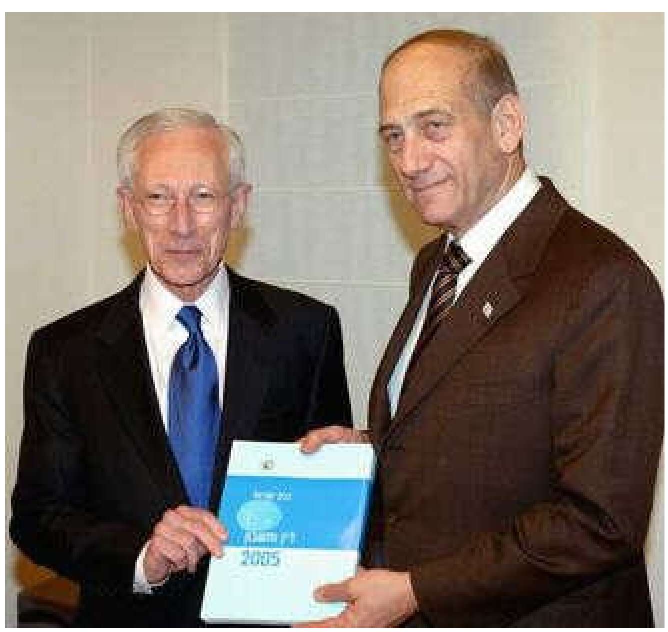
Stanley Fischer greets Russia's President Vladimir Putin.

Israel's Prime Minister Ariel Sharon (right) meets with Jacob Frenkel (left), then the Governor of the Bank of Israel, Stanley Fischer (second from left), then the First Deputy Managing Director of the International Monetary Fund, and Gaby Fishman at the Knesset in Jerusalem on May 14, 2001. Both Jacob Frenkel and Stanley Fischer are members of the Trilateral Commission, members of the Group of Thirty (G-30), and directors of the Institute for International Economics. (Photo: Amos Ben Gershom/GPO)

Stanley Fischer (center) meets with United Nations Secretary General Kofi Annan (left).


Left: Israel's Prime Minister Ariel Sharon shakes hands with Stanley Fischer in Tel Aviv, Israel on May 19, 2005.
(Photo: Amos Ben Gershom/ Israel Government Press Office (GPO))
Right: Israel's Prime Minister Ehud Barak shakes hands with Stanley Fischer, the First Deputy Managing Director of the International Monetary Fund, in Tel Aviv, Israel on November 28, 1999. (Photo: Moshe Milner/Israel Government Press Office (GPO))

Israel's Prime Minister Ariel Sharon watches the new Governor of the Bank of Israel Stanley Fischer shake hands with Israel's Finance Minister Benjamin Netanyahu in Jerusalem on May 1, 2005.



Governor of the Bank of Israel Stanley Fischer (left) and Israel's Prime Minister Ehud Olmert display a copy of the 2005 Bank of Israel annual report in Jerusalem on April 2, 2006. Stanley Fischer is a member of the Council on Foreign Relations, and a member of the Trilateral Commission. Stanley Fischer attended the Bilderberg Meetings in 1996, 1998, and 1999. (Photo: Amos Ben Gershom/GPO)

Israel's Prime Minister Ehud Olmert (R) receives a copy of the annual report from Bank of Israel Governor Stanley Fischer in Jerusalem on April 1, 2008. (Reuters)

Israeli Finance Minister Roni Bar On (R) and Stanley Fischer, Governor of the Bank of Israel, arrive in the Prime Ministry to attend the weekly cabinet meeting in Jerusalem, Israel on October 12, 2008. As the meeting was in progress it was announced that the high-tech sector of the Tel Aviv stock exchange had lost 16 percent of its value and blue chips stocks up to 8 percent as Israel is affected in the slide of international economies. (Getty Images)

In this handout photo provided by the Israeli Government Press Office (GPO), Israeli Prime Minister Benjamin Netanyahu (L) receives the Bank of Israel annual report from Governor Stanley Fischer of the Bank of Israel in Jerusalem, Israel on April 19, 2009. Fischer reported that Israel is withstanding the global economic crisis but that the recession is far from over. ([Getty Images])

Stanley Fischer (left), the Governor of the Bank of Israel, watches Israel's Prime Minister Ariel Sharon (second from left), Israel's Finance Minister Ehud Olmert (second from right), and an unidentified Israeli bureaucrat hold a copy of a check at a ceremony in the Prime Minister's office in Jerusalem, Israel on January 4, 2006. (Photo: [Amos Ben Gershom/Israel Government Press Office (GPO)])

World Bank President Robert Zoellick (L) and Governor of the Bank of Israel Stanley Fischer enter the morning session of the Federal Reserve's Jackson Hole Economic Symposium at Jackson Lake Lodge in Grand Teton National Park, Wyoming on August 22, 2009. Robert Zoellick and Stanley Fischer are members of the Council on Foreign Relations. (Reuters)

Stanley Fischer displays his Israeli identification card. Stanley Fischer maintains dual citizenship; Stanley Fischer is a naturalized American citizen and a naturalized Israeli citizen. (Left photo: Israel Insider/ AP Photo)

Left to right: Bank of Israel Governor Stanley Fischer, Israel's President Shimon Peres, Israel's Prime Minister Benjamin Netanyahu, and Israel's Finance Minister Yuval Steinitz attend a swearing-in ceremony for Stanley Fischer's second five-year term in Jerusalem on Sunday, May 2, 2010. Fischer said on Sunday Israel could become a leading economy globally if a Middle East peace deal is reached but that the key challenges for now were to accelerate growth and cut poverty. (Reuters)

From left: Finance Minister of Israel Yuval Steinitz, Bank of Israel Governor Stanley Fischer, Prime Minister of Israel Benjamin Netanyahu, and committee head Haim Shani attend a press conference in Jerusalem, Israel in September 2011.
(Photo credit: Emil Salman) http://www.israelhayom.com/site/newsletter_article.php?id=1183

Stanley Fischer (right), Governor of the Bank of Israel, speaks to Dominique Strauss-Kahn (left), Managing Director of the International Monetary Fund, and his wife Anne Sinclair (center) as they attend the annual international conference on security and policy in Herzliya, Israel, located north of Tel Aviv, on January 31, 2010. (Getty Images)

Chancellor of Germany Angela Merkel (right) shakes hand with Stanley Fischer (2nd left), Governor of the Bank of Israel, at the start of her meeting with Israeli businessmen in Jerusalem, Israel on February 1, 2011. Merkel travelled to Israel with members of her cabinet in order to conduct joint government cabinet meetings with their Israeli counterparts. (Getty Images)

Ambassador Gao Yanping (right), the Communist Chinese Ambassador to the State of Israel, meets with Stanley Fischer, Governor of the Bank of Israel, in Jerusalem, Israel on February 8, 2012. Stanley Fischer is a dual citizen of the United States of America and the State of Israel; Stanley Fischer is a member of the Council on Foreign Relations, a private political organization in New York City. (Photo: Embassy of the People's Republic of China in the State of Israel)

With the Teton Mountains behind them, Federal Reserve Chairman Ben Bernanke (left) and Bank of Israel Governor Stanley Fischer (right) walk together outside of the Jackson Hole Economic Symposium at Grand Teton National Park near Jackson Hole, Wyoming, U.S.A. on Friday August 31, 2012. (Photo: Ted S. Warren/AP)

Speakers at the memorial service for Paul A. Samuelson, held at the Kresge Auditorium at the Massachusetts Institute of Technology (MIT) on Saturday, April 10, 2010: (From left) James Poterba, Mitsui Professor of Economics at MIT; Ricardo Caballero, Ford International Professor of Economics at MIT and chairman of the Department of Economics; Helmut Weymar; Stanley Fischer, Governor of the Bank of Israel; MIT President Susan Hockfield; Robert Solow, MIT Institute Professor, Emeritus, and Professor of Economics, Emeritus; Paul Krugman, professor of economics and international affairs at Princeton University; Lawrence Summers, director of the White House's National Economic Council; and William Samuelson, professor of business policy and law at Boston University. **Stanley Fischer, Susan Hockfield, Paul Krugman, and Lawrence Summers are (or were) members of the Council on Foreign Relations.**
(Photo: L. Barry Hetherington/Massachusetts Institute of Technology)

The Governor of the Bank - Prof. Stanley Fischer

Prof. Stanley Fischer has been Governor of the Bank of Israel since May 2005.

Prior to joining the Bank of Israel, Prof. Fischer was Vice Chairman of Citigroup from February 2002 through April 2005, where he was also Head of the Public Sector Group from February 2004 to April 2005, Chairman of the Country Risk Committee, and President of Citigroup International.

Prof.. Fischer was the First Deputy Managing Director of the International Monetary Fund, from September 1994 until the end of August 2001.

Before he joined the IMF, Prof. Fischer was the Killian Professor and Head of the Department of Economics at MIT (Massachusetts Institute of Technology). From January 1988 to August 1990 he was Vice President, Development Economics and Chief Economist at the World Bank.

Prof. Fischer was born in Zambia in 1943.

He took the B.Sc (Econ) and M.Sc. (Econ) at the London School of Economics from 1962-66, and obtained his Ph.D. in economics at MIT in 1969. He was Assistant Professor of Economics at the University of Chicago until 1973, when he returned to the MIT Department of Economics as an Associate Professor. He became Professor of Economics in 1977. He has held visiting positions at the Hebrew University, Jerusalem, and at the Hoover Institution at Stanford.

Prof. Fischer is the author of *Macroeconomics* (with Rudi Dornbusch and Richard Startz, 9th edition, 2004). He is also the author of *Lectures in Macroeconomics* (MIT Press, 1989, with Olivier Blanchard), *Economics* (second edition, McGraw Hill, 1988, with Rudiger Dornbusch and Richard Schmalensee), *IMF Essays From a Time of Crisis* (MIT Press, 2004) and *Indexing, Inflation, and Economic Policy* (MIT Press, 1986) and the editor of other books, among them Securing Peace in the Middle East (MIT Press, 1994). From 1986 to 1994 he was editor of the NBER *Macroeconomics Annual;* he has also served as Associate Editor of other economics journals. He has published extensively in the professional journals.

Prof. Fischer is a Fellow of the Econometric Society and the American Academy of Arts and Sciences, a member of the Council on Foreign Relations, the G-30, and the Trilateral Commission, a Guggenheim Fellow, and a Research Associate of the National Bureau of Economic Research. He has served on the Boards of the Institute for International Economics, Women's World Banking and the International Crisis Group, as well as the International Advisory Board of the New Economic School, Moscow.

Source: http://www.bankisrael.gov.il/abeng/nag_now.htm

Biography of Stanley Fischer

Born: October 15, 1943
Family Status: Married, three children

Degrees:
B.Sc. (Econ) London University, 1965 (London School of Economics)
M.Sc. (Econ) London University, 1966 (London School of Economics)
Ph.D. Massachusetts Institute of Technology, 1969
Doctor Honoris Causa, Tbilisi State University, Georgia, 1996
Doctor Honoris Causa, Ben Gurion University, Israel 1998
Doctor Honoris Causa, Tel Aviv University, 2001
Doctor Honoris Causa, London School of Economics, 2002
Honorary Professor, Faculty of Economics of St. Petersbug State University, 2003
Doctor Honoris Causa, University of Sofia, Bulgaria, 2004
Honorary Professor, The Academy of National Economy under the Government of the Russian Federation, 2004
Doctor Honoris Causa, The Hebrew University, 2006

Positions:
Governor, Bank of Israel, May 2005–Present
Vice Chairman, Citigroup, February 2002–April 2005
Chairman of Country Risk Committee, Citigroup, 2002–2005
President, Citigroup International, 2002–2004
Head, Public Sector Client Group, Citigroup, February 2004–2005
First Deputy Managing Director, International Monetary Fund, 1994–2001
Head, Department of Economics, M.I.T., 1993–1994
Elizabeth and James Killian Class of 1926 Professor, M.I.T., 1992–1995
Professor, Department of Economics, M.I.T., 1977–1999
Vice President, Development Economics and Chief Economist World Bank, January 1988–August 1990
Associate Professor, Department of Economics, M.I.T. 1973–77
Assistant Professor, Department of Economics, University of Chicago, 1970–73
Postdoctoral Fellow, Department of Economics, University of Chicago, 1969–70
Instructor, Department of Economics, M.I.T., 1969
Adjunct Senior Fellow, Council on Foreign Relations, 1994
Director, World Economy Laboratory, M.I.T., 1991–1993
Max Bogen Visiting Professor of Economics, Hebrew University, Jerusalem, 1984
Visiting Scholar, Hoover Institution, 1981–82
Fellow, Institute for Advanced Studies, Hebrew University, Jerusalem, 1976–77
Visiting Senior Lecturer, Department of Economics, Hebrew University, Jerusalem, 1972

Activities and Societies:
Honorary Fellow, London School of Economics Research Associate, National Bureau of Economic Research
Fellow of the Econometric Society
Fellow, American Academy of Arts and Sciences
Member, Council on Foreign Relations
Member, Group of 30
Guggenheim Fellow
Member, Financial Stability Forum Chairman's Advisory Council, 2002–
Member, Board of Directors, Institute for International Economics, 2002–
Member, International Advisory Board, New Economic School, Moscow, 2002–
Member, Board of Directors, Women's World Banking, 2003–
Member, Board of Trustees, International Crisis Group, 2004–
Vice-President, American Economic Association, 1995 Member, Executive Committee of the American Economic Association, 1989–91
Chairman, Fellowship Committee, Gasparini Institute for Economic Research, Milan, Italy, 1990–1994.
Honorary Adviser, Institute for Monetary and Economic Studies, Bank of Japan, 1987–1994
Member, Board of Trustees, Hebrew University, Jerusalem, 1986–1994.
Member, Visiting Committee of MIT Economics Department, 2003–
Member, Advisory Council of the Woodrow Wilson School, Princeton University, 1990–1994.

Member, Visiting Committee, Kennedy School of Government, Harvard University, 1991–1997
Member, Board of Trustees, Falk Institute for Economic Research in Israel, 1987–1998
Member, Academic Advisory Council, Federal Reserve Bank of New York, 1992–1994; 2002–
Member, Academic Advisory Council, Congressional Budget Office, 1993–1994.
Member, Brookings Panel on Economic Activity, 1981–82, 1991–92.
Member, Panel for Economic Policy, 1992–93.
Member, National Science Foundation Economics Panel, 1978–80.
Consultant: U.S. Treasury, U.S. State Department, World Bank, International Monetary Fund, Bank of Israel.

Books:
Living Standards and the Wealth of Nations , (Leszek Balcerowicz and Stanley Fischer, eds). Cambridge, MA: MIT Press, 2006.
Macroeconomics, ninth edition, McGraw Hill, 2004, with R. Dornbusch and R. Startz.
IMF Essays From A Time of Crisis: The International Financial System, Stabilization, and Development, M.I.T. Press, 2004.
Lectures on Macroeconomics, M.I.T. Press, 1989, with O. Blanchard.
Economics, second edition, McGraw-Hill, New York, 1987, with R. Dornbusch and R. Schmalensee.
Indexing, Inflation, and Economic Policy, (Collected papers), M.I.T. Press, 1986.
Editor of *Securing Peace in the Middle East: Project on Economic Transition*, (with L. Hausman, A. Karasik, and T. Schelling), M.I.T. Press, 1994.
Editor of *The Economics of Middle East Peace*, (with Dani Rodrik and Elias Tuma), M.I.T. Press, 1993.
Editor of *Monetary Theory and Thought: Essays in Honor of Don Patinkin*, (with Haim Barkai and Nissan Liviatan), Macmillan, London, 1993.
Editor of *Adjustment Lending Revisited*, (with Vittorio Corbo and Steven Webb), World Bank, 1992.
Editor of *Economic Reform in Sub-Saharan Africa*, (with A. Chhibber), World Bank, 1991.
Editor of *Lessons of Economic Stabilization and Its Aftermath*, (with M. Bruno, E. Helpman, N. Liviatan and L. Meridor), M.I.T. Press, 1990.
Editor of *Inflation Stabilization* (with P. Aspe, M. Bruno and R. Dornbusch), M.I.T. Press, 1988.
Editor of *Macroeconomics and Finance: Essays in Honor of Franco Modigliani*, (with R. Dornbusch and J. Bossons), M.I.T. Press, 1987.
Editor of *Rational Expectations and Economic Policy*, University of Chicago Press, 1980.

Source: http://www.bankisrael.gov.il/abeng/nagid_now_full_eng.htm

Stanley Fischer, nominee for the Vice Chairman of the Federal Reserve (Chip Somodevilla/Getty Images)

For No. 2 at Fed, White House Favors Central Banker in the Bernanke Mold

By BINYAMIN APPELBAUM
Published: December 11, 2013

Stanley Fischer, second from left, taught policy makers like Ben S. Bernanke, second from right, and Olivier Blanchard (Chip Somodevilla/Getty Images)

WASHINGTON — Stanley Fischer, the former governor of the Bank of Israel and a mentor to the Federal Reserve's chairman, Ben S. Bernanke, is the leading candidate to become vice chairman of the Fed, according to former and current administration officials.

If nominated, and then confirmed by the Senate, Mr. Fischer, 70, would succeed Janet L. Yellen, whom President Obama nominated to succeed Mr. Bernanke as the Fed's leader when his term ends in January.

Mr. Fischer is at once a surprising choice and a popular pick among economists and investors. He is a highly regarded economist with significant policy-making experience, yet many had considered his selection improbable because of his recent service in a foreign government. News about Mr. Fischer's possible nomination was reported on Israeli television.

That experience could become a concern if he is nominated, as could his experience at Citigroup, where he was vice chairman between 2002 and 2005. The company's expansion during that period eventually ended in a federal bailout.

As the Fed's vice chairman, Mr. Fischer would most likely exert a moderating influence on Ms. Yellen, echoing, in a way, her intellectual partnership with Mr. Bernanke. Ms. Yellen is a forceful advocate for the Fed's efforts to stimulate the economy and reduce unemployment. Mr. Fischer has been generally supportive of those efforts, but has raised questions about the particulars.

He offered measured support at a conference last month for the Fed's bond-buying campaign, describing it as "dangerous" but "necessary." At the same time, he has expressed greater skepticism about the companion effort to hold down borrowing costs by declaring that short-term interest rates will remain low, describing such forward guidance as potentially confusing.

"You can't expect the Fed to spell out what it's going to do. Why? Because it doesn't know," he said at a conference in September, according to The Wall Street Journal. "It's a mistake to try and get too precise."

Mr. Fischer's experience on Wall Street, while potentially a political liability, could prove valuable for the Fed, which lacks officials with experience in the financial markets that it must manage and regulate.

Mr. Fischer "has unrivaled international expertise and is a seasoned crisis-manager — complementing Yellen, who has much less experience in these areas," Krishna Guha, head of central bank strategy at the financial services firm International Strategy and Investment, wrote in a client note.

Mr. Fischer stepped down in June after eight years as the leader of Israel's central bank. He drew wide praise for helping to shelter the Israeli economy from the global financial crisis, in part by moving quickly to cut interest rates.

The Israeli economy grew during each of Mr. Fischer's eight years as the bank's governor, even as most developed economies collapsed into deep recessions. When Israel's strength attracted a surge of foreign investment, Mr. Fischer was again quick to respond, building up foreign reserves to limit the rise of the shekel and protect Israeli exporters.

He also shepherded passage of a law that limited his own power by creating a six-person committee to manage monetary policy.

Mr. Fischer may be better known for the students he taught as a professor of economics at M.I.T. beginning in the late 1970s. In addition to Mr. Bernanke, the list includes Mario Draghi, the president of the European Central Bank; N. Gregory Mankiw, chairman of the Council of Economic Advisers under President George W. Bush; and Olivier Blanchard, chief economist at the International Monetary Fund.

Students say Mr. Fischer was a formative influence who inculcated the pragmatic view that government had some power to improve economic outcomes — a middle ground between the academic orthodoxies of the era.

He was a pioneering figure in the effort to formalize this middle ground, helping to forge the approach now known as New Keynesianism.

He then set an example for his students by entering public service in the late 1980s, working first at the World Bank and then at the I.M.F. before joining Citigroup.

Mr. Bernanke cited Mr. Fischer as one of his most important mentors last month, saying that he "demonstrated that he lived what he taught."

Mr. Fischer was born in what is today Zambia. He came to the United States as a graduate student and became an American citizen in 1976. When he became governor of the Bank of Israel he also accepted Israeli citizenship.

Mr. Fischer has the self-deprecating manner of many central bankers, but he is funnier than many of his peers. In an interview with The Washington Post, he described his first encounter with one of the seminal works of economics, "The General Theory of Employment, Interest and Money," by John Maynard Keynes.

"I was immensely impressed," he said, "not because I understood it but by the quality of the English."

In selecting Mr. Fischer, the White House would continue a recent pattern of reinforcing the Fed's existing direction.

The White House did not comment on Mr. Fischer's possible nomination.

President Obama had the unusual opportunity to replace as many as five of the seven members of the Fed's board of governors next year. Instead, he plans to replace only those who insisted on departing, retaining Ms. Yellen and Jerome H. Powell, a Republican financier.

Lael Brainard, formerly the Treasury under secretary for international affairs, is a front-runner to fill one of the remaining vacancies, according to people familiar with the matter.

Peter Baker contributed reporting from Little Rock, Ark.

A version of this article appears in print on December 12, 2013, on page B1 of the New York edition with the headline: For No. 2 at Fed, White House Favors Central Banker in the Bernanke Mold.

Source: http://www.nytimes.com/2013/12/12/business/economy/stanley-fischer-seen-as-leading-candidate-for-fed-vice-chairman.html

Stanley Fischer (left) is seated before testifying to the Senate Banking, Housing, and Urban Affairs Committee on his nomination to be vice chairman of the Board of Governors of the Federal Reserve System on Capitol Hill in Washington, D.C. on March 13, 2014. Federal Reserve Board nominees Jerome Powell (center) and Lael Brainard (right) appear alongside Stanley Fischer. Stanley Fischer, Jerome Powell, and Lael Brainard are members of the Council on Foreign Relations, a private organization in New York City. (MANDEL NGAN/AFP/Getty Images)

Stanley Fischer (left), former Governor of the Bank of Israel and nominee to be Vice Chairman of the Federal Reserve, Jerome Powell (center), current and nominee to be a board member of the Federal Reserve, and Lael Brainard (right), nominee to be a board member of the Federal Reserve, swear-in before a Senate Banking Committee nomination hearing in Washington, D.C., U.S.A. on Thursday, March 13, 2014. Stanley Fischer, Jerome Powell, and Lael Brainard are members of the Council on Foreign Relations, a private organization in New York City. (Photo: Andrew Harrer/Bloomberg via Getty Images)

Excerpts from Carroll Quigley's book *Tragedy and Hope*, pages 54-56

Since it is quite impossible to understand the history of the twentieth century without some understanding of the role played by money in domestic affairs and in foreign affairs, as well as the role played by bankers in economic life and in political life, we must take at least a glance at each of these four subjects.

In each country the supply of money took the form of an inverted pyramid or cone balanced on its point. In the point was a supply of gold and its equivalent certificates; on the intermediate levels was a much larger supply of notes; and at the top, with an open and expandable upper surface, was an even greater supply of deposits. Each level used the levels below it as its reserves, and, since these lower levels had smaller quantities of money, they were "sounder." A holder of claims on the middle or upper level could increase his confidence in his claims on wealth by reducing them to a lower level, although, of course, if everyone, or any considerable number of persons, tried to do this at the same time the volume of reserves would be totally inadequate. Notes were issued by "banks of emission" or "banks of issue," and were secured by reserves of gold or certificates held in their own coffers or in some central reserve. The fraction of such a note issue held in reserve depended upon custom, banking regulations (including the terms of a bank's charter), or statute law. **There were formerly many banks of issue, but this function is now generally restricted to a few or even to a single "central bank" in each country. Such banks, even central banks, were private institutions, owned by shareholders who profited by their operations.** In the 1914-1939 period, in the United States, Federal Reserve Notes were covered by gold certificates to 40 percent of their value, but this was reduced to 25 percent in 1945. The Bank of England, by an Act of 1928, had its notes uncovered up to [250 million, and covered by gold for 100 percent value over that amount. The Bank of France, in the same year, set its note cover at 35 percent. These provisions could always be set aside or changed in an emergency, such as war.

Deposits on the upper level of the pyramid were called by this name, with typical bankers' ambiguity, in spite of the fact that they consisted of two utterly different kinds of relationships: (1) "lodged deposits," which were real claims left by a depositor in a bank, on which the depositor might receive interest, since such deposits were debts owed by the bank to the depositor; and (2) "created deposits," which were claims created by the bank out of nothing as loans from the bank to "depositors" who had to pay interest on them, since these represented debt from them to the bank. In both cases, of course, checks could be drawn against such deposits to make payments to third parties, which is why both were called by the same name. Both form part of the money supply. Lodged deposits as a form of savings are deflationary, while created deposits, being an addition to the money supply, are inflationary. The volume of the latter depends on a number of factors of which the chief are the rate of interest and the demand for such credit. These two play a very significant role in determining the volume of money in the community, since a large portion of that volume, in an advanced economic community, is made up of checks drawn against deposits. The volume of deposits banks can create, like the amount of notes they can issue, depends upon the volume of reserves available to pay whatever fraction of checks are cashed rather than deposited. These matters may be regulated by laws, by bankers' rules, or simply by local customs. In the United States deposits were traditionally limited to ten times reserves of notes and gold. In Britain it was usually nearer twenty times such reserves. In all countries the demand for and volume of such credit was larger in time of a boom and less in time of a depression. This to a considerable extent explains the inflationary aspect of a depression, the combination helping to form the so-called "business cycle."

In the course of the nineteenth century, with the full establishment of the gold standard and of the modern banking system, there grew up around the fluctuating inverted pyramid of the money supply a plethora of financial establishments which came to assume the configurations of a solar system; that is, of a central bank surrounded by satellite financial institutions. In most countries the central bank was surrounded closely by the almost invisible private investment banking firms. These, like the planet Mercury, could hardly be seen in the dazzle emitted by the central bank which they, in fact, often dominated. Yet a close observer could hardly fail to notice the close private associations between these private, international bankers and the central bank itself. In France, for example, in 1936 when the Bank of France was reformed, its Board of Regents (directors) was still dominated by the names of the families who had originally set it up in 1800; to these had been added a few more recent names, such as Rothschild (added in 1819); in some cases the name might not be readily recognized because it was that of a son-in-law rather than that of a son. Otherwise, in 1914, the names, frequently those of Protestants of Swiss origin (who arrived in the eighteenth century) or of Jews of German origin (who arrived in the nineteenth century), had been much the same for more than a century. In England a somewhat similar situation existed, so that even in the middle of the twentieth century the Members of the Court of the Bank of England were chiefly associates of the various old "merchant banking" firms such as Baring Brothers, Morgan Grenfell, Lazard Brothers, and others.

Excerpts from Carroll Quigley's book *Tragedy and Hope*, pages 56-62

Commercial Banks Operate Outside Central Banks and Private Banking Firms

In a secondary position, outside the central core, are the commercial banks, called in England the "joint-stock banks," and on the Continent frequently known as "deposit banks." These include such famous names as Midland Bank, Lloyd's Bank, Barclays Bank in England, the National City Bank in the United States, the Credit Lyonnais in France, and the Darmstädter Bank in Germany.

Savings Banks, Insurance Funds and Trust Companies Operate on the Outside Ring

Outside this secondary ring is a third, more peripheral, assemblage of institutions that have little financial power but do have the very significant function of mobilizing funds from the public. This includes a wide variety of savings banks, insurance firms, and trust companies. Naturally, these arrangements vary greatly from place to place, especially as the division of banking functions and powers are not the same in all countries. In France and England the private bankers exercised their powers through the central bank and had much more influence on the government and on foreign policy and much less influence on industry, because in these two countries, unlike Germany, Italy, the United States, or Russia, private savings were sufficient to allow much of industry to finance itself without recourse either to bankers or government. In the United States much industry was financed by investment bankers directly, and the power of these both on industry and on government was very great, while the central bank (the New York Federal Reserve Bank) was established late (1913) and became powerful much later (after financial capitalism was passing from the scene). In Germany industry was financed and controlled by the discount banks, while the central bank was of little power or significance before 1914. In Russia the role of the government was dominant in much of economic life, while in Italy the situation was backward and complicated.

The Supply of Money

We have said that two of the five factors which determined the value of money (and thus the price level of goods) are the supply and the demand for money. The supply of money in a single country was subject to no centralized, responsible control in most countries over recent centuries. Instead, there were a variety of controls of which some could be influenced by bankers, some could be influenced by the government, and some could hardly be influenced by either. Thus, the various parts of the pyramid of money were but loosely related to each other. Moreover, much of this looseness arose from the fact that the controls were compulsive in a deflationary direction and were only permissive in an inflationary direction. This last point can be seen in the fact that the supply of gold could be decreased but could hardly be increased. If an ounce of gold was added to the point of the pyramid in a system where law and custom allowed 10 percent reserves on each level, it could permit an increase of deposits equivalent to $2067 on the uppermost level. If such an ounce of gold were withdrawn from a fully expanded pyramid of money, this would compel a reduction of deposits by at least this amount, probably by a refusal to renew loans.

The Money Power Persuaded Governments to Establish a Deflationary Monetary Unit

Throughout modern history the influence of the gold standard has been deflationary, because the natural output of gold each year, except in extraordinary times, has not kept pace with the increase in output of goods. Only new supplies of gold, or the suspension of the gold standard in wartime, or the development of new kinds of money (like notes and checks) which economize the use of gold, have saved our civilization from steady price deflation over the last couple of centuries. As it was, we had two long periods of such deflation from 1818 to 1850 and from 1872 to about 1897. The three surrounding periods of inflation (1790-1817, 1850-1872, 1897-1921) were caused by (1) the wars of the French Revolution and Napoleon when most countries were not on gold; (2) the new gold strikes of California and Alaska in 1849-1850, followed by a series of wars, which included the Crimean War of 1854-1856, the Austrian-French War of 1859, the American Civil War of 1861-1865, the Austro-Prussian and Franco-Prussian wars of 1866 and 1870, and even the Russo-Turkish War of 1877; and (3) the Klondike and Transvaal gold strikes of the late 1890's, supplemented by the new cyanide method of refining gold (about 1897) and the series of wars from the Spanish-American War of 1898-1899, the Boer War of 1899-1902, and the Russo-Japanese War of 1904-1905, to the almost uninterrupted series of wars in the decade 1911-1921. In each case, the three great periods of war ended with an extreme deflationary crisis (1819, 1873, 1921) as the influential Money Power persuaded governments to reestablish a deflationary monetary unit with a high gold content.

Money Power Is More Concerned With Money Than Goods

The obsession of the Money Power with deflation was partly a result of their concern with money rather than with goods, but was also founded on other factors, one of which was paradoxical. The paradox arose from the fact that the basic economic conditions of the nineteenth century were deflationary, with a money system based on gold and an industrial system pouring out increasing supplies of goods, but in spite of falling prices (with its increasing value of money) the interest rate tended to fall rather than to rise. This occurred because the relative limiting of the supply of money in business was not reflected in the world of finance where excess profits of finance made excess funds available for lending. Moreover, the old traditions of merchant banking continued to prevail in financial capitalism even to its end in 1931. It continued to emphasize bonds rather than equity securities (stocks), to favor government issues rather than private offerings, and to look to foreign rather than to domestic investments. Until 1825, government bonds made up almost

the whole of securities on the London Stock Exchange. In 1843, such bonds, usually foreign, were 80 percent of the securities registered, and in 1875 they were still 68 percent. The funds available for such loans were so great that there were, in the nineteenth century, sometimes riots by subscribers seeking opportunities to buy security flotations; and offerings from many remote places and obscure activities commanded a ready sale. The excess of savings led to a fall in the price necessary to hire money, so that the interest rate on British government bonds fell from 4.42 percent in 1820 to 3.11 in 1850 to 2.76 in 1900. This tended to drive savings into foreign fields where, on the whole, they continued to seek government issues and fixed interest securities. All this served to strengthen the merchant bankers' obsession both with government influence and with deflation (which would increase value of money and interest rates).

Banker Policies Lead to Inflation and Deflation

Another paradox of banking practice arose from the fact that bankers, who loved deflation, often acted in an inflationary fashion from their eagerness to lend money at interest. Since they make money out of loans, they are eager to increase the amounts of bank credit on loan. But this is inflationary. The conflict between the deflationary ideas and inflationary practices of bankers had profound repercussions on business. The bankers made loans to business so that the volume of money increased faster than the increase in goods. The result was inflation. When this became clearly noticeable, the bankers would flee to notes or specie by curtailing credit and raising discount rates. This was beneficial to bankers in the short run (since it allowed them to foreclose on collateral held for loans), but it could be disastrous to them in the long run (by forcing the value of the collateral below the amount of the loans it secured). But such bankers' deflation was destructive to business and industry in the short run as well as the long run.

Changing the Quality of Money

The resulting fluctuation in the supply of money, chiefly deposits, was a prominent aspect of the "business cycle." The quantity of money could be changed by changing reserve requirements or discount (interest) rates. In the United States, for example, an upper limit has been set on deposits by requiring Federal Reserve member banks to keep a certain percentage of their deposits as reserves with the local Federal Reserve Bank. The percentage (usually from 7 to 26 percent) varies with the locality and the decisions of the Board of Governors of the Federal Reserve System.

Central Banks Vary Money in Circulation

Central banks can usually vary the amount of money in circulation by "open market operations" or by influencing the discount rates of lesser banks. In open market operations, a central bank buys or sells government bonds in the open market. If it buys, it releases money into the economic system; if it sells it reduces the amount of money in the community. The change is greater than the price paid for the securities. For example, if the Federal Reserve Bank buys government securities in the open market, it pays for these by check which is soon deposited in a bank. It thus increases this bank's reserves with the Federal Reserve Bank. Since banks are permitted to issue loans for several times the value of their reserves with the Federal Reserve Bank, such a transaction permits them to issue loans for a much larger sum.

Central Banks Raise and Lower Interest Rates

Central banks can also change the quantity of money by influencing the credit policies of other banks. This can be done by various methods, such as changing the re-discount rate or changing reserve requirements. By changing the re-discount rate we mean the interest rate which central banks charge lesser banks for loans backed by commercial paper or other security which these lesser banks have taken in return for loans. By raising the re-discount rate the central bank forces the lesser bank to raise its discount rate in order to operate at a profit; such a raise in interest rates tends to reduce the demand for credit and thus the amount of deposits (money). Lowering the re-discount rate permits an opposite result.

Central Banks Force Local Banks to Decrease Credit

Changing the reserve requirements as a method by which central banks can influence the credit policies of other banks is possible only in those places (like the United States) where there is a statutory limit on reserves. Increasing reserve requirements curtails the ability of lesser banks to grant credit, while decreasing it expands that ability. It is to be noted that the control of the central bank over the credit policies of local banks are permissive in one direction and compulsive in the other. They can compel these local banks to curtail credit and can only permit them to increase credit. This means that they have control powers against inflation and not deflation—a reflection of the old banking idea that inflation was bad and deflation was good.

The Powers of Government Over Money

The powers of governments over the quantity of money are of various kinds, and include (a) control over a central bank, (b) control over public taxation, and (c) control over public spending. The control of governments over central banks varies greatly from one country to another, but on the whole has been increasing. Since most central banks have been (technically) private institutions, this

control is frequently based on custom rather than on law. In any case, the control over the supply of money which governments have through central banks is exercised by the regular banking procedures we have discussed. The powers of the government over the quantity of money in the community exercised through taxation and public spending are largely independent of banking control. Taxation tends to reduce the amount of money in a community and is usually a deflationary force; government spending tends to increase the amount of money in a community and is usually an inflationary force. The total effects of a government's policy will depend on which item is greater. An unbalanced budget will be inflationary; a budget with a surplus will be deflationary. A government can also change the amount of money in a community by other, more drastic, methods. By changing the gold content of the monetary unit they can change the amount of money in the community by a much greater amount. If, for example, the gold content of the dollar is cut in half, the amount of gold certificates will be able to be doubled, and the amount of notes and deposits reared on this basis will be increased many fold, depending on the customs of the community in respect to reserve requirements. Moreover, if a government goes off the gold standard completely—that is, refuses to exchange certificates and notes for specie—the amount of notes and deposits can be increased indefinitely because these are no longer limited by limited amounts of gold reserves.

The Money Power—Controlled by International Investment Bankers—Dominates Business and Government

In the various actions which increase or decrease the supply of money, governments, bankers, and industrialists have not always seen eye to eye. On the whole, in the period up to 1931, bankers, especially the Money Power controlled by the international investment bankers, were able to dominate both business and government. They could dominate business, especially in activities and in areas where industry could not finance its own needs for capital, because investment bankers had the ability to supply or refuse to supply such capital. Thus, Rothschild interests came to dominate many of the railroads of Europe, while Morgan dominated at least 26,000 miles of American railroads. Such bankers went further than this. In return for flotations of securities of industry, they took seats on the boards of directors of industrial firms, as they had already done on commercial banks, savings banks, insurance firms, and finance companies. From these lesser institutions they funneled capital to enterprises which yielded control and away from those who resisted. These firms were controlled through interlocking directorships, holding companies, and lesser banks. They engineered amalgamations and generally reduced competition, until by the early twentieth century many activities were so monopolized that they could raise their noncompetitive prices above costs to obtain sufficient profits to become self-financing and were thus able to eliminate the control of bankers. But before that stage was reached a relatively small number of bankers were in positions of immense influence in European and American economic life. As early as 1909, Walter Rathenau, who was in a position to know (since he had inherited from his father control of the German General Electric Company and held scores of directorships himself), said, **"Three hundred men, all of whom know one another, direct the economic destiny of Europe and choose their successors from among themselves."**

The Power of Investment Bankers Over Governments

The power of investment bankers over governments rests on a number of factors, of which the most significant, perhaps, is the need of governments to issue short-term treasury bills as well as long-term government bonds. Just as businessmen go to commercial banks for current capital advances to smooth over the discrepancies between their irregular and intermittent incomes and their periodic and persistent outgoes (such as monthly rents, annual mortgage payments, and weekly wages), so a government has to go to merchant bankers (or institutions controlled by them) to tide over the shallow places caused by irregular tax receipts. As experts in government bonds, the international bankers not only handled the necessary advances but provided advice to government officials and, on many occasions, placed their own members in official posts for varied periods to deal with special problems. This is so widely accepted even today that in 1961 a Republican investment banker became Secretary of the Treasury in a Democratic Administration in Washington without significant comment from any direction.

The Money Power Reigns Supreme and Unquestioned

Naturally, the influence of bankers over governments during the age of financial capitalism (roughly 1850-1931) was not something about which anyone talked freely, but it has been admitted frequently enough by those on the inside, especially in England. In 1852 Gladstone, chancellor of the Exchequer, declared, "The hinge of the whole situation was this: the government itself was not to be a substantive power in matters of Finance, but was to leave the Money Power supreme and unquestioned." On September 26, 1921, *The Financial Times* wrote, "Half a dozen men at the top of the Big Five Banks could upset the whole fabric of government finance by refraining from renewing Treasury Bills." In 1924 Sir Drummond Fraser, vice-president of the Institute of Bankers, stated, **"The Governor of the Bank of England must be the autocrat who dictates the terms upon which alone the Government can obtain borrowed money."**